DOCUMENT RESUME

ED 234 519 EA 016 106

TITLE	Review of Procurement Practices in the Montgomery County Public Schools. Final Report.
INSTITUTION	Touche Ross and Co., Washington, D.C.
SPONS AGENCY	Montgomery County Public Schools, Rockville, Md. Dept. of Educational Accountability.
PUB DATE	25 Oct 82
NOTE	182p.; One of a series of Management Operations Review and Evaluation (MORE) studies being undertaken by the Montgomery County Public Schools Department of Educational Accountability.
PUB TYPE	Reports - Research/Technical (143) -- Guides - Non-Classroom Use (055)
EDRS PRICE	MF01/PC08 Plus Postage.
DESCRIPTORS	Administrative Organization; *Cost Effectiveness; *Educational Administration; Efficiency; Elementary Secondary Education; Financial Services; Interviews; Long Range Planning; Management by Objectives; Management Systems; *Money Management; Operating Expenses; Organizational Development; *Organizational Effectiveness; Performance; *Purchasing; Questionnaires; School Business Officials; *School District Spending; Surveys
IDENTIFIERS	*Montgomery County Public Schools MD

ABSTRACT

Following a management summary and introduction, chapters 3 and 4 of this report present findings and recommendations related to the Montgomery County, Maryland, Public Schools process of procuring supplies and equipment (food supplies, fuel oil, warehouse supplies, and maintenance parts) and contractual services (data processing maintenance, transportation of handicapped children, legal support, and equipment lease and maintenance), the combined costs of which in 1983 were budgeted at $28.2 million. Chapter 5, which focuses on the operating performance of the Procurement Division, includes findings on vendor and user satisfaction with the procurement process, operational efficiency, and the use of data processing. Chapter 6 reviews Procurement Division organization and staffing, including an organization chart and description of roles and responsibilities for various jobs, from the procurement director to typists and clerks. Following a presentation of findings and recommendations on the financial management and management control aspects of procurement in chapters 7 and 8, chapter 9 proposes a set of activities for implementing the study's recommendations. The report concludes with a lengthy appendix, including forms used for interviews and surveys of users, vendors, and principals and directors. (JBM)

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Touche Ross & Co.

October 25, 1982

Dr. W. M. Richardson
Coordinator of Research Program
Assessment
Montgomery County Public Schools
850 Hungerford Drive, Room 148
Rockville, Maryland 20850

Dear Dr. Richardson:

We are pleased to submit this report on the results of our review of procurement practices in the Montgomery County Public Schools (MCPS). This report incorporates the comments and suggestions made by MCPS management after their review of our initial report which was submitted on August 23, 1982.

This review is one of a series of Management Operations Review and Evaluation (MORE) studies being undertaken by MCPS Department of Educational Accountability.

We conducted a variety of study activities, including 25 interviews with MCPS management and staff. We also completed two written surveys. One involved MCPS vendors; the other involved MCPS management (e.g., school principals, Division Directors, Department Directors). We supplemented these study activities with several special reviews and analyses.

Our report describes our findings, conclusions, and recommendations in the six major areas we studied: procurement of supplies and equipment, procurement of contractual services, operating performance, organization and staffing, financial management, and management control.

Our report also includes a plan for implementing our recommendations.

We would be happy to meet and discuss the contents of this report with you. Please call Alan Laskin, George Yurek, or Douglas Rolston at (202) 452-1200 if you have any questions.

Very truly yours,

Touche Ross + Co.

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I. MANAGEMENT SUMMARY

The purpose of this section is to summarize the results of our operations review of procurement practices in the Montgomery County Public Schools (MCPS). Included is an overview of our:

1. Approach;
2. Summary Analysis;
3. Findings;
4. Conclusions; and
5. Recommendations

A. APPROACH

Our study findings were developed through several activities. These included structured management interviews, written surveys, and other special reviews and analyses.

Formal interviews were completed with approximately ten management level personnel. These included Directors of user organizations that interact with the Procurement Division (e.g., Maintenance Division), management in supporting organizations (e.g., Accounting Division), and management above the Procurement Division level.

In addition, approximately fifteen formal and informal staff interviews were conducted, particularly in the Procurement and Accounting Divisions.

Two written surveys were completed. The first was a survey of approximately 120 vendors that provide goods or services to MCPS. The second was a survey of MCPS school principals and managers (e.g., Division and Department Directors). Both surveys asked respondents to rate and comment on the effectiveness of MCPS procurement practices. The survey focused on the bid process, ordering process, process controls and overall functional responsibilities.

We supplemented our interview and survey findings with other special reviews and analyses. These included:

1. Statistical analysis of purchase order process duration;
2. Statistical analysis of the distribution of Purchase Order dollar value;
3. Analysis of variation between invoice and Purchase Order total; and
4. Analysis of controls supporting payments for contractual services.

B. SUMMARY ANALYSIS

Our study indicates MCPS should take steps to strengthen management direction of the procurement function. On a day-to-day operating level, we believe the Procurement Division is effectively administering purchasing activities. However, the Procurement Division has a limited role in managing the overall procurement. function at MCPS.

More specifically, our findings indicate Procurement Division management and staff are devoting most of their efforts to administering ongoing purchasing activities. These include processing purchase orders and formal bids. In this capacity, we believe Procurement Division management and staff are experienced and competent. There appears to be a general commitment to providing an effective service to MCPS.

However, we believe the Procurement Division should focus less on administering day-to-day purchasing activities and more on managing the overall procurement process.

MCPS procurement policy promotes a strong centralized procurement function. As stated in the Manual for Procurement of Equipment, Supplies and Contractual Services, the Procurement Division has responsibility and authority for negotiating and placing all purchase orders or other awards. With the exception of the Superintendent, no official or employee, outside the Procurement Division, is authorized to commit funds on behalf of MCPS.

We believe the Procurement Division Director supports this policy and has actively worked to promote its implementation. However, it is evident that management in some user organizations do not accept this management role or the existing policy.

In reality, many procurement activities vary from policy. Procurement is not centralized. Established and accepted procurement activities extend beyond the Procurement Division. These include:

1. Soliciting verbal and written quotations from vendors;
2. Selecting vendors;
3. Controlling purchase order numbers;
4. Placing orders directly with vendors; and
5. Approving vendor invoices.

Exhibit I-1 lists the distribution of these activities for seven major user organizations.

Exhibit I-1

Summary of Procurement Activities Regularly Performed Outside

The Procurement Division

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PROCUREMENT ACTIVITY	USER ORGANIZATION						
	Transportation Division	Maintenance Division	Food Services Division	Supply Property Management Division	Management Information and Computer Services	Construction and Captital Projects[1]	Schools
Soliciting Verbal and Written Quotations	X	X	--	--	X	--	X
Selecting Vendors	X	X	--	--	X	--	X
Controlling Purchase Order Numbers	--	X	X	X	--	--	--
Placing Orders Directly with Vendors	X	X	X	--	--	--	X
Approving Vendor Invoices	X	X	--	--	X	X	X

[1] For Moveable Furniture and Equipment

X = Significant involvement
-- = Little or no involvement

In our review, we did not immediately assume the decisions and activities of management in user organizations were inappropriate if they differed from procurement policy statements. In some cases, we believe these managers have taken the logical and correct action. Examples include:

1. Division of Food Services staff placing repetitive food orders directly with vendors to facilitate prompt delivery; and

2. Maintenance Division staff obtaining verbal quotations on small service items to minimize repair time.

In some cases, however, variations with policy occur that are inappropriate. Some practices are redundant or inconsistent. In a few cases the lack of an accepted procurement management role and policy has resulted in inadequate operating control. We believe there is a potential for the misuse of purchasing authority and inappropriate use of MCPS funds. The primary areas of concern are:

1. The Procurement Division does not have sufficient staff (in terms of number and skill levels) to fully support procurement planning and perform other responsibilities, as defined by current policy;

2. Separation of controls is inadequate in the Transportation and Maintenance Divisions; and

3. Controls on procurement and payment for contractual services is inconsistent and unstructured.

Accordingly, we focused our study efforts on these and related areas. We list our study findings, associated conclusions and recommendations later in this section of our report.

In the report we provide an implementation plan which addresses our findings and recommendations. The implementation plan provides a series of action steps we recommend MCPS pursue in the near term. These involve:

1. Reducing the administrative burden within the Procurement Division;

2. Increasing analytical activities within the Procurement Division; and

3. Revising selected policies and practices associated with procuring contractual services.

These activities will address many of the findings we developed through our study. However to be truly effective, a longer term effort is required.

We believe MCPS management must restructure and clarify its procurement policy to better address user requirements and controls. To be effective, we do not believe this policy can be based on a simple centralized or decentralized approach. Rather, it must consider instances where individual user requirements and levels of specialization necessitate a decentralized approach. Conversely, it must provide operating controls and central management necessary to maintain overall effectiveness.

To support this objective, we recommend MCPS improve the Manual for the Procurement of Equipment, Supplies and Contractual Services to help clarify MCPS procurement policy and better communicate the organizational roles and responsibilities supporting it. This improvement would not require that the current procurement approach be discarded. Rather, it would strengthen the current approach by addressing areas not fully covered by the current manual (e.g., procurement planning and control over purchase order numbers) and clarifying which procurement responsibilities legitimately rest with user organizations and which responsibilities rest with the Procurement Division.

The value and ultimate success of such an improvement to the manual is dependent upon four factors:

1. Consistency;
2. Straightforward logic;
3. Acceptance by staff; and
4. Continuing visible support from management.

In the body of this report, we provide a functional model for this process description, and its underlying procurement policy. Exhibit I-2 summarizes the levels of procurement centralization and decentralization we recommend for each procurement function and process (i.e., verbal quotations, written quotations and formal bids or RFP's).

The intent of this policy recommendation is to:

1. Increase Procurement Division analytical and planning responsibilities;

2. Decrease Procurement Division administrative responsibilities; and

3. Increase user organization responsibilities on non-bid items.

Exhibit I-2

Summary of Recommended Approach to MCPS Procurement Policy

CENTRALIZATION vs DECENTRALIZATION

Procurement Function and Subfunction	Primary Responsibility by Procurement Process		
	Verbal Quote	Written Quote	Bid or RFP
NEEDS IDENTIFICATION			
Re-order Determination	D	D	D
Inventory Cost Analysis	D	D	D
PROCUREMENT PLANNING			
Forecasting	D	D	S
Develop Specifications	D	D	S
Market Research	D	D	S
Analyze Lease/Buy and New/Used	C	C	C
Product Substitution Analysis	D	D	D
VENDOR SOLICITATION AND AWARD			
Bid/Quote Review	D	S	S
Vendor Selection	D	S	S
Contract Award	C	C	C
CONTRACT ADMINISTRATION			
Monitor Price Escalation	N/A	N/A	C
Control Purchase Order Numbers	C	C	C
Place Order with Vendor	C	C	C
Expedite Shipment	D	D	D
Monitor Deliver Schedule	D	D	D
Receive & Inspect Material	D	D	D
Verify Invoice Items & Quality	D	D	D
Approve Invoice Unit Price	C	C	C

D = Decentralized (User Organization)
C = Centralized (Procurement Division)
S = Shared Responsibility

We believe any effort to develop and implement a policy model, such as we describe, will be ineffective if adequate staff resources are not available in the Procurement Division. For example, the Procurement Division does not now have adequate staff resources (in terms of number and technical expertise) to fully support procurement planning and analysis. Consequently, much of this analysis occurs outside the Procurement Division in user organizations. Implementation efforts must fully consider staffing requirements.

We believe that implementing these recommendations will result in cost savings for MCPS. We believe savings will result through:

a. Increased staff productivity, both inside and outside the Procurement Division, by eliminating duplication and simplifying workflow; and

b. Reducing expenditures for goods and services through improved planning, review and operating controls.

While we cannot calculate the size of the potential savings for MCPS, our understanding of good business practice and past experience strongly indicate the benefits of our recommendations will far outweigh the cost of implementating them.

Other anticipated benefits include:

1. Provide consistent procurement guidelines. We believe that establishing a procurement process description, that is understood and accepted, would enhance operational consistency.

2. More effectively utilize Procurement Division personnel by shifting overall responsibility away from administrative activities and towards analytical activities.

3. Improve Procurement Division operating performance by reducing Purchase Order volume and Procurement Division processing requirements by consolidating user forecasts.

4. Result in more cost effective inventory decisions. Items would be transferred from a vendor's inventory to an MCPS inventory only if there were evident cost advantages or overriding service considerations.

5. Establish clear separation of controls. No one organization would have complete responsibility for selecting the vendor price, placing the vendor order, receiving the supplies or equipment and approving the vendor invoice.

C. FINDINGS

Following is a list of the specific findings in each of the six areas we studied.

1. Procurement of Supplies and Equipment

a. Needs identification (performed by the three divisions which operate a warehouse) does not adequately consider inventory cost in making reorder decisions.

b. Procurement planning responsibilities for supplies and equipment are performed on a highly decentralized basis. The Procurement Division has limited involvement. There is no process in place to coordinate procurement planning efforts among user organizations.

c. Vendor solicitation and selection are performed on a decentralized basis contrary to established MCPS procurement policy. Particularly for quote items, there are limited controls to assure each purchase was necessary and obtained at the best price.

d. Contract administration is performed on a highly decentralized basis. Procurement Division activities focus on purchase order processing. As a result, MCPS has limited control over the extent of contractual commitments and associated financial transactions.

e. Although it is contrary to established policy there are indications that the current decentralization of procurement functions will continue.

f. Procurement process guidelines are not well documented. There is no clear reference point to support and guide management and staff in the process of procuring supplies and equipment. Individual perceptions and preferences, rather than established precedence, can prevail. This has contributed to procurement practices that are contrary to established policy.

g. Separation of controls for the procurement of supplies and equipment is inadequate.

h. The use of Blanket, Contract and Confirming Purchase Order is excessive.

i. Extensive use of Confirming, Contract, and Blanket Purchase Orders diminishes effectiveness of financial controls.

j. Control of purchase order numbers is fragmented. Purchase order numbers can be a major control in the contractual arrangement between MCPS and its vendors. Loss of this control increases the potential to inappropriately commit MCPS.

2. Procurement of Contractual Services

a. Procurement practices for contractual services are very unstructured, decentralized and inconsistently applied. With the exception of administering formal bids, the Procurement Division has limited involvement. As a result, MCPS has no standard means of controlling expenditures related to contractual services.

b. For seven of the eight transactions we reviewed, there was insufficient control of documentation authorizing expenditures for contractual services. As a result, MCPS staff committed funds for services which were not supported by either a formal contract or Board of Education approval.

c. For the eight transactions we reviewed, MCPS Division of Accounting had insufficient controls on expenditures for contractual services. Accounting personnel rely on the validity of documentation from the user organization and/or vendor. The potential for error or abuse is significant.

3. Operating Performance

   a. Purchase Order processing is highly labor intensive.

   b. The same processing procedure is used for large and small orders, although at least 30% of all purchase orders from schools are under $50.00.

   c. Although labor intensive, the existing Purchase Order processing system is efficient.

   d. In our written vendor survey, vendors rated MCPS procurement practice high.

   e. On our written survey of MCPS management in user organizations, most management rated the Procurement Division high in processing purchase orders and resolving vendor problems.

   f. Some management in MCPS user organizations do not always have an effective working relationship with the Procurement Division Director and his organization.

   g. The Procurement Division appears to be operating less efficiently than some other nearby school districts for some procurement functions.

   h. The Procurement Division is only beginning to explore the potential of data processing support. The lack of accepted functional requirements hampers development.

4. Organization and Staffing

   a. Declining student enrollment has not had a significant effect on the Procurement Division workload.

   b. The rate of budget staff reductions for the Procurement Division greatly exceeds that for the overall school system.

c. Efforts to reduce Procurement Division staff may not have been effective as a cost reduction technique.

d. MCPS Procurement Division has insufficient staff to perform its responsibilities, as defined by current procurement policy.

e. Some Procurement Division staff are performing tasks that are not appropriate to their position.

f. The rate of turnover among Purchase Order Clerks is high. Turnover for other positions within the Procurement Division has been at reasonable levels.

g. Procurement Division staff roles and responsibilities appear clearly defined and understood.

5. Financial Management

a. The Procurement Division does not have adequate resources to monitor and analyze price fluctuations.

b. The Procurement Division has no specified role in cash management analysis. Some factors are considered (e.g., credit terms) while others (e.g., time value of money) are not.

c. The Procurement Division does not have adequate staff resources, in terms of overall size and technical skills, to perform various types of financial analysis related to procurement decisions.

d. Dollar purchase approval limits are defined but not consistently followed. Large expenditures occur independent of required authorization.

e. Some variations occur between amounts paid to vendors and Purchase Order totals. There appears to be adequate controls on the payment of such variations.

6. Management Control

a. Overall management control of the procurement process has been ineffective. There are numerous instances of actual practices that differ with stated Board of Education policy.

b. Management above the Procurement Division level appears to have provided limited policy implementation direction relative to MCPS procurement functions. This has contributed to continued resistance to more centralized procurement control.

c. There is no form of periodic management reporting or measurement of procurement performance. The Director of Procurement and management above the Procurement Division level cannot monitor or analyze overall procurement performance or effectiveness.

D. CONCLUSIONS

Based on the above findings, we formulated the following conclusions in each of the six areas we studied:

1. Procurement of Supplies and Equipment

a. Many MCPS procurement practices vary significantly with policy.

b. Several procurement functions are not being performed or are being performed inconsistently.

c. Procurement policy and operating guidelines are not adequately documented.

d. Some procurement process controls (particularly those controls involving separation of procurement activities, and restricting the use of Contract, Confirming, and Blanket Purchase Orders) are inadequate.

2. Procurement of Contractual Services

a. Many procurement practices are unstructured; and

b. Process controls are inadequate. There is potential for:

- Overpayment;
- Inappropriate use of funds; and
- Misuse of authority.

3. Operating Performance

a. MCPS Procurement Division's operations are efficient even though somewhat labor intensive. Improvements can be made in the use of personnel through a modification of Purchase Order processing requirements.

b. Data processing support could assist the Division in several procurement functions.

c. Working relationships between the Procurement Division Director and managers in user organizations need to be improved to support development of an effective procurement process.

4. Organization and Staffing

a. The Procurement Division is efficiently performing its current roles and responsibilities:

- Purchase Order processing; and
- Bid administration;

b. The mix and level of Procurement Division staffing should be revised in the future to more effectively carry out procurement responsibilities. However, decisions which clarify procurement policy and practice should precede changes to the mix or level of staffing.

5. Financial Management

a. Some procurement financial management functions are unstructured. These include the Procurement Division's analytical role on price fluctuations and cash management.

b. The Procurement Division is not adequately staffed to fully perform financial management functions.

c. Controls on Purchase Order approval limits are not effective.

d. Controls on variations between amounts paid to vendors and Purchase Order totals are adequate.

6. Management Control

a. MCPS procurement practices have evolved with minimal upper management direction.

b. MCPS management has not developed an effective procurement management control process that incorporates near-term goals, performance indicators, and management reporting.

E. RECOMMENDATIONS

Our findings and conclusions all point to inconsistencies between and among procurement policy, practices, and associated controls.

Following is a list of our specific recommendations in each of the six areas we studied.

1. Procurement of Supplies and Equipment

a. Needs Identification: Increase the analysis role of the Procurement Division and the three user organizations with warehouse systems.

b. Procurement Planning: Develop formal procurement planning responsibilities within both the Procurement Division and user organizations.

c. Vendor Solicitation and Award: Increase formal user vendor solicitation activities, but maintain final award authority with the Procurement Division.

d. Contract Administration: Clarify and increase Procurement Division responsibility for Contract Administration.

2. Procurement of Contractual services

   a. Centralize control of all contracts for contractual services in the Procurement Division.

   b. Establish a policy that the Procurement Division must review and approve payments for contractual services.

   c. Establish clear levels of Contracting Agents.

   d. Periodically, forward a blanket notice to vendors reinforcing MCPS policy on contractual service authorization requirements.

   e. Clarify MCPS policy on sole source contracts.

3. Operating Performance

   a. Reduce the degree of purchase order checking in the Procurement Division.

   b. Simplify and reduce processing activities on Purchase Orders for minor purchases (e.g., less than $100).

   c. Complete a data processing requirements analysis.

4. Organization and Staffing

   a. Reduce the buyer activities of the Procurement Division Director.

   b. Increase Procurement Division Buyer's formal involvement in analyzing procurement practices.

   c. Revise the distribution of Procurement Division staff.

   d. Review the grade level for Purchase Order Clerk.

5. Financial Management

   a. Increase Procurement Division cash management analysis for major purchases.

b. Clarify and simplify purchase order approval limits.

c. Revise the role of the MCPS Board of Education in approving transaction above $5,000.

d. Revise the MCPS policy on approving price increases.

6. Management Control

Begin submitting a monthly management report from the Director of the Procurement Division to the Director of the Department of School Services. The report should summarize procurement activities and operating performance. The report should include:

a. Performance indicators (planned versus actual);

b. Status of major projects; and

c. Discussion of major problems or accomplishments.

II. INTRODUCTION

This report presents the results of our review and analysis of procurement practices in Montgomery County Public Schools (MCPS). This section presents:

a. Background on the MORE Program;

b. An overview of MCPS procurement practices;

c. The approach we used to review and analyze these practices; and

d. A discussion of how the report is structured.

A. BACKGROUND OF THE MORE PROGRAM

The Board of Education of MCPS has directed the superintendent of schools, working through the Department of Education Accountability (DEA), to undertake a comprehensive, multi-year Management Operations Review and Evaluation (MORE) of the entire school system, with the exception of school-based instruction. The Board resolution established as the principal goal for this activity a systematic program of management improvements aimed at increasing productivity and efficiency throughout MCPS.

The MORE goal is to be met through a series of 21 separate studies, conducted over five years. Each study will address a major administrative function or system and may be conducted by either an external contractor or internally by DEA.

This review of MCPS procurement practices is one of these MORE activities.

B. PROCUREMENT IN MCPS

In general, the MCPS Procurement Division is responsible for the purchase of supplies and equipment, and the purchase of contractual services throughout the MCPS system. In fiscal year 1983, budgeted expenditures for these two categories of purchases are approximately $28.2 million or 8% of the total MCPS operating budget. Exhibit II-1 illustrates this distribution.

The Procurement Division has several administrative processes to plan and carry out these purchases. These include:

EXHIBIT II-1

MCPS OPERATING BUDGET
FISCAL YEAR 1983

	$	%
Salaries and Wages	272,009,000	76.2
Contractual Services	4,815,000	1.4
Supplies and Materials	20,087,000	5.6
Other (e.g., Utilities, Fixed Costs)	56,385,000	15.8
Furniture and Equipment	3,319,000	1.0
TOTAL	356,615,000	100.0

Source: MCPS 1983 Operating Budget Document

a. Formal public bids. On purchases greater than $5,000, Procurement Division staff seek written bids from selected vendors and through public announcements. Activities include preparing detailed specifications for each bid item, soliciting bids, analyzing results and supporting the MCPS Board of Education award of the bid. In fiscal year 1982, the Procurement Division completed 135 bids.[1]

b. Written and verbal quotations. On purchases less than $5,000, Procurement Division staff obtain either written (for purchases from $500 to $5,000) or verbal (for purchases from $100 to $500) quotations from at least three qualified firms. In fiscal year 1982, the Procurement Division obtained 562[1] written quotations and approximately 2,000[2] verbal quotations.

c. Requisition/Purchase Orders. Most purchases ofgoods or services between MCPS and vendors are processed by the Procurement Division on MCPS Form 235-1 (requisition/Purchase Order). This document specifies the terms (e.g., quantity, item description and price) of the transaction and provides the vendor formal authorization to ship goods or provide a service. The Procurement Division reviews each Purchase Order and assures funds are available before releasing it to the vendor. Procurement Division staff processed approximately 25,200 Purchase Orders in fiscal year 1982.

Procurement Division staff have numerous other responsibilities. These include assisting user organizations (primarily schools) resolve vendor shipping and billing problems, and supporting the MCPS Board of Education on procurement matters.

C. APPROACH

Our study findings were developed through several activities:

1. Structured interviews with management and staff;
2. Written surveys; and
3. Other special reviews and analyses.

1/ Source - MCPS Procurement Division records
2/ Estimate - Detailed records are not available on the number of telephone quotations

Initially, informal interviews were completed with several MCPS managers to review their overall procurement needs and experiences. Each interview lasted from one-half to one hour. These interviews included:

1. Director, Procurement Division;
2. Director, Food Services Division;
3. Director, Transportation Division;
4. Director, Supply and Property Management Division; and
5. Director, Maintenance Division.

The results of these interviews were used in conjunction with the project proposal to develop a structured interview guide to be used in formal interviews with the Directors of major organizations that rely on MCPS Procurement Division services. The objective of the guide was to assure overall thoroughness and consistency among interview results. The interview guide addressed several procurement areas: warehousing (e.g., inventory managment methodology); market analysis; financial management; and process controls. The interview guide also included a detailed functional analysis review. A copy of this interview guide is presented in the Appendix.

Each formal interview required between two and three hours. They included the Directors of:

1. Food Services Division;
2. Transportation Division;
3. Supply and Property Management Division;
4. Maintenance Division;
5. Management Information and Computer Services; and
6. Construction and Capital Projects Division.

Other interviews included:

1. Interviews in other school districts. We completed on-site interviews with procurement management in the Prince Georges and Arlington school districts. We also completed telephone interviews with similar personnel in Frederic County and Baltimore County.

2. Formal management interviews with the Director, Department of School Services, and the Associate Superintendent, Office of Supportive Services.

3. Formal interviews with staff in the Procurement Division and Accounting Division. This included approximately 12 interviews with supervisory and clerical staff.

4. Numerous informal discussions with MCPS management and staff. These particularly involved the Procurement Division and Accounting Divisions.

Two written surveys were also used to gather information on MCPS procurement practices. The two survey instruments are presented in the Appendix.

The first survey was directed at approximately 10 vendors that deal with MCPS on a regular basis. This survey requested ratings, comments and recommendations on:

1. The overall MCPS procurement process;

2. Its effectiveness in comparison to procurement functions in other school districts;

3. MCPS practice of obtaining and evaluating bids and quotations; and

4. MCPS procurement ordering process.

The second survey was directed at MCPS school principals and selected MCPS management (e.g., Division Directors, Department Directors). This survey requested each respondent to rate and comment on the effectiveness of the MCPS Procurement Division in several areas such as processing Purchase Orders and resolving vendor problems. This survey also requested information on selected procurement functions performed directly by the respondent. This data was similar to that requested in the written interview guide we described above.

Our interview results were also supplemented with other special reviews and analyses. These included:

1. Statistical analysis of purchase order processing duration. We reviewed a random sample of purchase orders to identify and analyze variations in the Purchase Order processing time in the Procurement Division.

2. Statistical analysis of the distribution of Purchase Order values. Specifically, we sought to identify what proportion of purchase orders were for a small amount (e.g., below $50).

3. Analysis of payments generated in the Accounting Division that vary with the amount approved via a Purchase Order.

4. Analysis of controls supporting payment for contractual services. We reviewed the activities involved in generating payment for eight specific transactions. For each transaction we identified the process controls (e.g., review and approval activities) and document controls (e.g., Board of Education Resolutions or written contracts) that were available.

D. REPORT STRUCTURE

This report is structured according to the six major subject areas reviewed: Specifically,

1. Procurement of Supplies and Equipment. A review of practices associated with procuring supplies and equipment with a focus on function centralization/decentralization and the process control mechanisms MCPS uses to control procurement activities.

2. Procurement of Contractual Services. Functional analysis and a review of process controls based on a review of eight specific transactions.

3. Operating Performance. An assessment of vendor and MCPS management satisfaction with procurement activities, operating efficiency of the Procurement Division and the use of data processing.

4. Organization and Staffing. An assessment of the impact of declining enrollment, effectiveness of staff utilization, and working relationships between the Procurement Division and user organizations.

5. Financial Management. An analysis of the effectiveness of financial analysis (e.g., cash management) in buying decisions.

6. Management Control. An assessment of management activities to provide longer term direction through policy development, goal setting and management reporting.

For each section, findings, conclusions and recommendations are presented.

Finally, an implementation plan is provided, summarizing the sequence of activities we believe MCPS should pursue to address our recommendations.

III. PROCUREMENT OF SUPPLIES AND EQUIPMENT

The purpose of this section is to present our findings and recommendations related to the MCPS process of procuring supplies and equipment.

MCPS records indicate that expenditures for supplies and equipment for fiscal year 1982 were approximately $18,950,000.[1/] Major purchase categories include:

1. Food supplies;
2. Fuel oil;
3. Warehouse supplies (e.g., text books, office supplies); and
4. Maintenance parts.

With the exception of purchases of food supplies and fuel oil, most expenditures for supplies and equipment are supported by an authorized Requisition/Purchase Order.

The Food Services Division is responsible for the purchase of food supplies. Budget expenditures for fiscal year 1982 were approximately $5,700,000. Most, if not all, of these expenditures are for items developed through the Procurement Division's competitive bid process. Typically, food orders are submitted verbally to vendors or via the vendors' order form. The Food Services Division is currently developing an automated inventory control system that will incorporate an automated order form capability.

The Supply and Property Management Division is responsible for the purchase of fuel oil. Budget expenditures for fiscal year 1982 were approximately $6,100,000. All fuel oil purchases are supported by the Procurement Division's competitive bid process. Typically, orders for fuel oil are submitted to vendors on an MCPS fuel oil ticket (MCPS Form 235-11).

Most other purchases are processed on the combination Requisition/Purchase Order (MCPS Form 235-1). This form is used as a General, Contract, Blanket or Confirming Purchase Order[2/]. Typically, each purchase order is reviewed by Procurement and Accounting Division personnel before being released to a vendor. Exhibit III-1 lists the estimated annual purchase order volume (quantity and value) for each major MCPS organization.

1/ Unaudited estimate 7/27/82

2/ General Purchase Orders involve single transactions with estimated funds encumbered before the transaction.
Contract Purchase Orders involve multiple transactions with estimated funds encumbered before the transaction.
Blanket Purchase Orders involve multiple transactions with no funds encumbered.
Confirming Purchase Orders involve single transactions wtih no funds encumbered.

EXHIBIT III-1

ESTIMATED ANNUAL PURCHASE ORDER VOLUME BY PRIMARY MCPS ORGANIZATIONS 1/

MCPS ORGANIZATION	TYPE OF PURCHASE ORDER								TOTAL	
	GENERAL		CONFIRMING		CONTRACT 2/		BLANKET			
	No.	$	No.	$	No.	$	No.	$	No.	$
1. Division of Transportation	24	22,344	588	324,048	282	423,600	-	-	894	769,992
2. Division of Maintenance	648	317,304	1,668	469,392	-	-	588	564,984	2,904	1,351,680
3. Division of Food Services	534	43,374	24	1,056	-	-	-	-	558	44,430 3/
4. Division of Supply & Property Management	1,752	2,172,900	30	18,918					1,782	2,191,818
5. Management Information & Computer Services	294	304,464	96	88,824	-	-	-	-	390	393,288
6. Construction & Capital Projects	240	3,290,442	24	554,670	-	-	-	-	264	3,845,112
7. Schools	25,194	3,460,000 4/	-	-	-	-	-	-	25,194	3,460,000
8. Other	4,584	N/A	-	-	-	-	-	-	4,584	N/A

1/ Data based on Actual Volume for August 1981 and March 1982
2/ Dollar volume data is based on amount estimated at beginning of each month
3/ Total Food Services Purchases were approximately $5,700,000 (i.e., most orders are submitted verbally or on vendor order form)
4/ Estimate based on a random sample of 562 Purchase Orders
N/A Not Available

We have separated our discussion of supplies and equipment from contractual services because different procurement practices are used Specifically, procurement practices associated with spplies and equipment are more uniform than those for contractual services. For example, virtually all expenditures for supplies and equipment are supported by a purchase order while many expenditures for contractual services are not. Because of this difference, our analysis of purchases of supplies and equipment focused on interviews and process analysis. Our analysis of contractual services focused on a review of actual contractual service purchase transactions.

Our findings and recommendations related to the procurement of contractual services are presented in Section IV.

We have separated our findings on procurement practices for supplies and equipment into two parts:

1. Functional Analysis. An analysis of procurement responsibilities in four major procurement functions a) Needs Identification; b) Planning; c) Vendor Solicitation and Award; and d) Contract Administration. A listing of each of the subfunctions under these major procurement functions is presented in Exhibit Exhibit III-2.

2. Process Controls. An analysis of the mechanisms MCPS uses to control procurement activities. Controls include process guidelines, separation of purchasing authority and consistent documentation.

Our detailed discussion of findings is provided below. We have developed three overall conclusions from these findings:

1. Many MCPS procurement practices vary significantly with policy.

2. Several procurement functions are not being performed or are being performed inconsistently.

3. Procurement policy and operating guidelines are not adequately documented.

4. Some procurement process controls (particularly those controls involving separation of procurement activities, and restricting the use of Contract, Confirming, and Blanket Purchase Orders) are inadequate.

Recommendations are provided at the end of this section.

EXHIBIT III-2

PROCUREMENT FUNCTIONS AND SUBFUNCTIONS

FUNCTION	SUBFUNCTION
1. Needs Identification	- Re-Order Determination - Inventory Cost Analysis
2. Planning	- Forecasting - Specification Development - Market Research - Lease Versus Buy Analysis - Product Substitute Analysis
3. Vendor Soliciatation & Award	- Bid/Quote Review - Vendor Selection - Contract Award
4. Contract Administration	- Monitor Price Escalation - Control Purchase Order Numbers - Place Order With Vendor - Expedite Shipment - Monitor Delivery Schedule - Receive and Inspect Material - Verify Invoice Items & Quantity - Approve Invoice Unit Price

A. FINDINGS - FUNCTIONAL ANALYSIS

1. Needs identification (performed by the three divisions which operate a warehouse) does not adequately consider inventory cost in making re-order decisions.

Needs identification involves re-order determination and inventory cost analysis. A summary of the functional analysis for this procurement function is presented in Exhibit III-3.

MCPS has three organizations which operate warehouse systems and have a significant responsibility for re-order determination:

a. The Supply and Property Management Division operates two warehouse locations totaling 45,000 square feet. The 2,600 items stocked include office supplies, library material tools, health room supplies and art supplies.

b. The Transportation Division operates one main warehouse with three satellite parts rooms totalling 2,400 square feet. About $350,000 of vehicle maintenance items are stocked.

c. The Food Services Division operates one warehouse of 22,500 square feet. Dry storage, refrigerated and frozen storage facilities are available for about 450 food items.

Each of these Divisions operates an automated inventory control system to determine re-order points. However, inventory decisions are largely based on experience rather than financial analysis. We could not identify any structured analysis to periodically challenge inventory versus direct purchase decisions such as:

a. Economic Order Quantity (EOQ) calculations; and

b. Inventory carrying cost (e.g., including cost of overhead, administrative expense and time value of money).

During structured interviews, some management appeared unaware of these techniques to determining re-order points.

EXHIBIT III-3

PROCUREMENT FUNCTIONAL ANALYSIS - NEEDS IDENTIFICATION

Subfunction	DIVISION OF PROCUREMENT	USER ORGANIZATION						
		Division of Transportation	Division of Maintenance	Division of Food Services	Division of Supply and Property Management	Division of Construction and Capital Projects	Division of Management Information and Computer Services	Schools
Re-order Determination	-	X	N/A	X	X	N/A	N/A	N/A
Inventory Cost Analysis	-	-	N/A	-	-	N/A	N/A	N/A

III-6

SOURCE: Structured interviews with Division management and a survey of school principals

X = Significant involvement and responsibility

- = Little or no involvement

N/A = Not applicable (the user organization does not operate a warehousing system)

2. Procurement planning responsibilities for supplies and equipment are performed on a highly decentralized basis. The Procurement Division has limited involvement. There is no process in place to coordinate procurement planning efforts among user organizations.

Procurement planning functions include forecasting, development of specifications, market research, and analysis of lease/buy, new/used and product substitutions. A summary of the functional analysis for this procurement function is presented in Exhibit III-4.

In general, procurement planning policy is unclear. There are no specific guidelines in place which specify which organizational units are responsible for procurement planning functions.

In practice the Procurement Division's role is largely limited to administering the bid process (i.e., document bid specifications, inventory vendor bids, tabulate and analyze results). Other Procurement planning functions are decentralized. For example:

a. Procurement forecasting is preformed by several user organizations. Forecasting centers on the budget process, independent of the Procurement Division.

b. Market research is also performed by several user organizations. However, except for the Division of Food Services, market research is based on user experience. This is especially true in areas involving specialized knowledge or expertise such as data processing, transportation and maintenance. During interviews, some managers indicated they viewed Procurement Division staff as lacking expertise necessary to support adequate market analysis.

c. With the exception of the Division of Management Information and Computer Services, lease/buy and new/used analyses are not performed. There are no clear guidelines as to who is responsible for this function.

d. Product substitution analysis is performed on a limited basis by some user organizations. There are no clear guidelines as to who is responsible for this function.

EXHIBIT III-4

PROCUREMENT FUNCTIONAL ANALYSIS - PLANNING

		USER ORGANIZATION						
	DIVISION OF PROCUREMENT	Division of Transportation	Division of Maintenance	Division of Food Services	Division of Supply and Property Management	Division of Construction and Capital Projects	Division of Management Information and Computer Services	Schools
1. Forecasting	-	-	-	X	X	X	X	-
2. Develop Specifications	X	X	X	X	X	X	X	X
3. Market Research	-	X	-	X	-	X	X	X
4. Analyze Lease/Buy and New/Used	-	-	-	N/A	-	-	X	-
5. Product Substitution Analysis	-	-	-	X	X	-	X	-

SOURCE: Structured interviews with Division management and a survey of school principals

1/ Construction and Capital Projects is formally responsible for procurement activities on construction and fixed equipment

X = Significant involvement and responsibility
- = Little or no involvement
N/A = Not applicable

By not clarifying responsibility for these procurement functions, personal preference may play too great a role in buying decisions.

3. Vendor solicitation and selection are performed on a decentralized basis contrary to established MCPS procurement policy. Particularly for quote items, there are limited controls to assure each purchase was necessary and obtained at the best price.

Vendor solicitation and selection includes bid/quote review, vendor selection, and contract award. A summary of the functional analysis for this procurement function is presented in Exhibit III-5.

Vendor solicitation and selection practice is different for bid and quote items.

For bid items, responsibility is centralized in the Procurement Division. However, Procurement Division staff often rely on user organizations for developing technical specifications for each bid.

For quote items, the practice is highly decentralized. Three organizations (Transportation Division, Maintenance Division, and Management Information and Computer Services Division) routinely solicit and obtain written and verbal quotes contrary to established MCPS procurement policy.

However, some managers indicated responsibility for this function was unclear. One comment was: "This is a very gray area. Sometimes we do it and it is okay; other times it is not."

Because the overall responsibility for vendor solicitation and selection is fragmented, MCPS cannot be sure that three verbal or written quotes are obtained whenever practical, as required by MCPS procurement policy.

4. Contract administration is performed on a highly decentralized basis. Procurement Division activities focus on purchase order processing. As a result, MCPS has limited control over the extent of contractual commitments and associated financial transactions.

Contract administration, and its subfunctions, involve the activities necessary to administer and

EXHIBIT III-5

PROCUREMENT FUNCTIONAL ANALYSIS - VENDOR SOLICITATION AND SELECTION

	DIVISION OF PROCUREMENT		USER ORGANIZATION											
			Division of Transportation		Division of Maintenance		Division of Food Services		Division of Supply and Property Management		Division of Management Information & Computer Services		Schools	
	Bid	Quote	Bid	Quote	Bid	Quote	Bid	Quote	Bid	Quote	Bid	Quote	Bid	Quote
Bid/Quote Review	X	X	(-)	X	(-)	X	(-)	N/A	(-)	N/A	X	X	-	X1/
Vendor Selection	X	X	(-)	X	(-)	X	(-)	N/A	(-)	N/A	X	X	-	X2/
Contract Award	X	X	(-)	X	(-)	X	(-)	N/A	(-)	N/A	(-)	X	-	X

SOURCE: Structured interviews with Division management and survey of school principals

X - Significant involvement and responsibility

(-) - Little or no involvement

N/A - Not applicable

1/ 34% of survey sample indicated they directly obtained quotations from vendors. Typical items include copier equipment, computer supplies and athletic equipment. Survey results did not show a meaningful variation among results from Elementary, Middle, Junior High and High Schools.

2/ 45% of the survey sample directly negotiated with vendors for goods or services. Negotiations involved items in note 1/ above, plus contractual services.

11

execute contracts developed through vendor solicitation and selection. A summary of the functional analysis for this procurement function is presented in Exhibit III-6.

It is our experience that in many organizations these subfunctions are typically performed on a mixed centralized/decentralized basis. For example, three functions are typically performed on a centralized basis (i.e., by a procurement division):

a. Control of purchase order numbers;

b. Order preparation and submission; and

c. Approval of invoice unit price.

Two functions are typically performed on a decentralized basis (i.e., by user organizations):

a. Receive and inspect material; and

b. Verify invoice items and quality.

Three functions are typically performed on a mixed basis (i.e., by both user organizations and a procurement division).

a. Monitor price escalation;

b. Expedite shipment; and

c. Monitor delivery schedule.

Compared to the above practice, MCPS procurement practice is more decentralized. User organizations have established an active role in the three subfunctions listed above as typically being centralized.

For example, at MCPS three user organizations have control over purchase order numbers:

a. Maintenance Division;

b. Supply and Property Management Division; and

c. Processing Services (e.g., support center for purchase of library books and film media).

EXHIBIT III-6

PROCUREMENT FUNCTIONAL ANALYSIS - CONTRACT ADMINISTRATION

	DIVISION OF PROCUREMENT		USER ORGANIZATION													
			Division of Transportation		Division of Maintenance		Division of Food Services		Division of Supply and Property Management		Division of Construction and Capital Projects		Division of Management Information and Computer Services		Schools	
	Bid	Quote	Bid	Quote	Bid	Quote	Bid	Quote	Bid	Quote	Moveable Furniture & Equipment	Construction Contract	Bid	Quote	Bid & Quotes[5]	
Monitor Price Escalation	X	X	-	-	-	-	-	N/A	-	N/A	-	-	-	-	-	
Control Purchase Order Numbers	X	X	-	-	X	X	X[2]	N/A	X	N/A	-	X	-	-	-	
Place Order with Vendor	X	X	X	X	-	X	X	N/A	-	N/A	-	X	-	-	X	
Expedite Shipment	X[3]	X[3]	X	X	X	X	X	N/A	X	N/A	X	X	X	X	X	
Monitor Delivery Schedule	-	-	X	X	-	X	X	N/A	X	N/A	X	X	X	X	X	
Receive & Inspect Material	-	-	X	X	-	X	X	N/A	X	N/A	X	X	X	X	X	
Verify Invoice Items & Quality	-	-	X	X	-	X	X	N/A	X	N/A	X	X	X	X	X	
Approve Invoice Unit Price	X	X	-	X	-	X	-	N/A	-	N/A	X	X	X	-	X	

SOURCE: Structured interviews with Division management and a survey of school principals

1/ Division of Food Services has few quote items
2/ Division of Food Services places orders directly to vendors - typically verbally or on vendor's order form
3/ Primarily for schools
4/ Division of Supply and Property Management has few quote items
5/ Analysis of Contract Administration functions completed by schools based on survey results from 29 schools. The survey did not differentiate between bid and quote items

X = Significant involvement and responsibility
- = Little or no involvement
N/A = Not applicable

The Procurement Division releases control of purchase order numbers to these organizations in large blocks, often several hundred at a time. In these organizations, purchase orders are assigned before funds are encumbered.

Also, four user organizations prepare and submit orders directly to vendors (often verbally):

a. Maintenance Division;

b. Transportation Division;

c. Schools; and

d. Food Services Division.

Finally, three user organizations approve the invoice unit price:

a. Maintenance Division;

b. Transportation Division; and

c. Department of Management Information and Computer Services.

Typically, user organizations approve the invoice unit price by preparing a Blanket, Contract or Confirming Purchase Order. In most instances the user organization does not involve the Procurement Division until after the goods have been ordered and received. The use of these purchase orders is more fully discussed in Section III-B (Findings Process Controls).

In addition, the Division of Construction and Capital Projects performs these contract administration functions for "fixed equipment" for construction projects. These functions largely occur, by policy independent of the Procurement Division.

5. Although it is contrary to establish policy, there are indications that the current decentralization of procurement functions will continue.

These indications include:

a. MCPS staffing level is being steadily reduced. Budgeted staff has been reduced by one person in each of the last four fiscal year budgets (i.e., 1980 to 1983).

b. The new Division of Food Services warehouse, and its associated automated ordering system, are nearing completion. However, the role of the Procurement Division remains unclear in relation to this system.

c. Maintenance Division management are seeking to establish a separate "Requisition Unit" with increased procurement responsibilities.

d. Transportation Division staff and management appear to be actively and capably performing several procurement functions. These activities should increase with the expected growth of the Transportation Division.

B. FINDINGS - PROCESS CONTROLS

As previously mentioned, process controls are the mechanisms MCPS uses to control procurement activities. These include process guidelines, separation of purchasing authority and consistent documentation. Our findings in this area are provided below.

1. Procurement process guidelines are not well documented. There is no clear reference point to support and guide management and staff in the process of procuring supplies and equipment. Individual perceptions and preferences, rather than established precedence can prevail. This has contributed to procurement practices that are contrary to established policy.

   Our findings indicate the existing MCPS Procurement Manual for Supplies, Equipment and Contractual Services is not an effective guide to procurement practices and policy.

   During interviews with management of the six major user organizations, only one referenced this manual as a source of information. Others indicated they relied primarily on personal experience. When asked "What documentation do you use as a guide in ordering supplies and equipment (e.g., policy or procedure manuals)?", typical responses included:

   a. None; my people have been here for a long time; and

   b. If we have a question, we can call a Buyer.

   Our survey of MCPS school principals developed mixed results. Approximately 90% (26 of 29) of the respondents indicated they, or their staff, used the manual as a guide in ordering supplies and service. However, their comments indicated it was not effective. Comments included:

   a. "Needs updating and rewriting";

   b. "Of some value";

   c. "Difficult to understand";

   d. "Not up to date"; and

   e. "I usually call the Procurement Division to get a question answered."

We were unable to identify process guidelines to support established procurement practices such as:

a. Use of different types of purchase orders (i.e., general, confirming, blanket and contract);

b. Preparation instructions; and

c. Process flow.

Also the current procurement manual is silent on several procurement functions such as needs identification (re-order determination, inventory cost analysis) and planning (forecasting, specifications, market research, lease/buy product substitution analysis).

2. Separation of controls for the procurement of supplies and equipment is inadequate.

There are four basic activities associated with obtaining supplies or equipment from a vendor and approving payment:

a. Select vendor and price;

b. Place the order;

c. Receive the good; and

d. Approve vendor invoice (quantity, quality and unit price).

The objective of "separation of controls" is to prevent the potential for fraud or abuse by not allowing a single organization to perform all four activities.

However, we identified four instances where a single MCPS organization performed all these activities:

a. Division of Maintenance (Confirming and Blanket Orders).

b. Division of Transportation (Confirming and Contract Orders).

c. Construction and Capital Projects (Contracts involving fixed furniture and equipment).

d. Individual schools (copier equipment and service).

Exhibit III-7 illustrates this finding for the Blanket Purchase Orders prepared by the Maintenance Division. In this instance, Maintenance Division staff independently purchase, on a day-to-day basis, from a variety of vendors. Vendors directly invoice the Maintenance Division for these transactions. Periodically (e.g., monthly), Maintenance Division staff consolidate all transactions for one vendor into a single Blanket Purchase Order for Procurement Division processing. Typically the Blanket Order references the transactions by invoice number only. Maintenance Division staff forward invoices directly to the Accounting Division.

In fiscal year 1982, we estimate this involved 588 Purchase Orders (each with multiple transactions) for expenditures totalling $565,000 or 42% of total Maintenance Division expenditures (see Exhibit III-1).

3. The use of Blanket, Contract and Confirming Purchase Orders is excessive.

The intent of Confirming, Blanket and Contract[1/] Purchase Orders is to provide user organizations the necessary freedom to obtain critical supplies on short notice. In practice, these orders are used on a routine basis for non-critical items. For example:

a. Division of Maintenance. Approximatley 76% of total estiamted 1982 expenditures ($1,357,000)[2/] are via these type of orders. There appears to be little control to assure all expenditures were necessary.

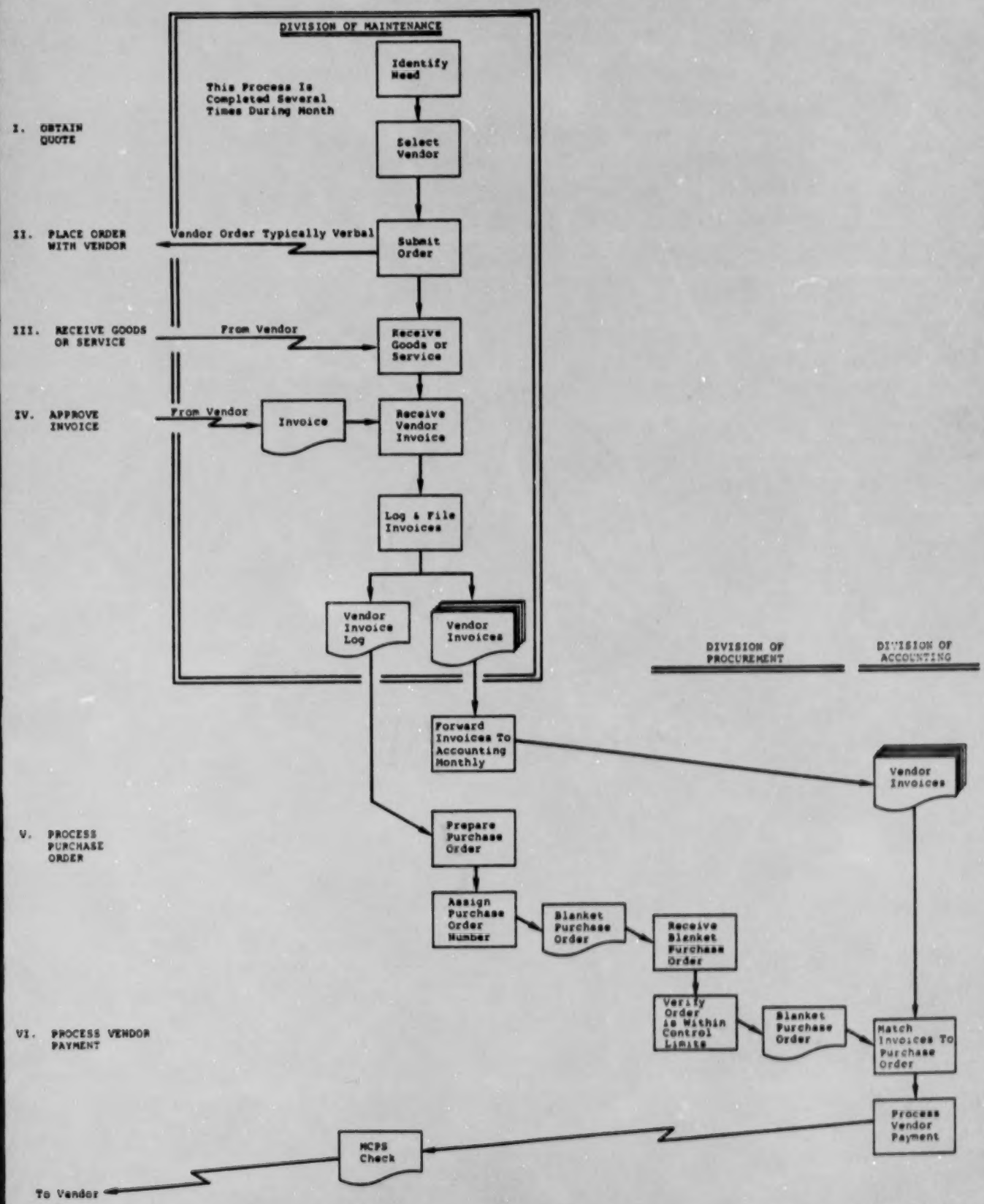
b. Division of Transportation. Approximately 97% of total estiamted 1982 expenditures ($770,000)[2/] are via these type of orders. Procurement Division is involved only after the transaction is complete.

1/ Contract Purchase Orders involve multiple transactions with estimated funds encumbered before the transaction.
Blanket Purchase Orders involve multiple transactions with no funds encumbered.
Confirming Purchase Orders involve single transactions with no funds encumbered.

2/ Volume and value of Purchase Orders from Exhibit III-1.

Exhibit III-7

EXAMPLE OF INADEQUATE SEPERATION OF CONTROLS ON BLANKET PURCHASE ORDERS



c. Division of Supply and Property Management. Uses Confirming Orders for non-critical items. For example:

Purchase Order No.	Transaction Amount	Item
1595	$1,325	Furniture Repair
1649	822	Business Forms
1663	1,222	Step-Van Truck
1685	3,254	Business Forms

4. Extensive use of Confirming, Contract, and Blanket Purchase Orders deminishes effectiveness of financial controls.

In fiscal year 1982, we estimate that the Procurement Division processed approximately 3300 Confirming, Contract, and Blanket Purchase Orders totalling $2,445,000.1/

On these orders the Procurement Division is involved only after the transaction has occurred.2/ On these expenditures, there is minimal or no opportunity to:

a. Verify that the transaction was necessary;

b. Assure the best price or vendor was selected; and

c. Assure adequate funds are available (i.e., via encumberance process).

5. Control of purchase order numbers is fragmented. Purchase order numbers can be a major control in the contractual arrangement between MCPS and its vendors. Loss of this control increases the potential to inappropriately commit MCPS.

The Purchase Order number can be a major element used to control the expenditure of funds. When applied to a purchase order, it is the contractual reference between MCPS and the vendor. During our

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1/ Volume and value of Purchase Orders from Exhibit III-1.
2/ The Transportation Division does provide Contract Purchase Orders to the Procurement Division that estimate, for the next month, expenditures by vendor. However Procurement Division staff are not involved in individual transactions associated with these orders.

interviews with procurement managers in other school districts (Prince George's County and Arlington County), we were told vendors will not accept an order unless the Procurement Division (or its equivalent) has:

a. Assigned a purchase order number; or

b. Provided written instructions on the process for emergency purchases (e.g., purchase limits, use of call records, authorization authority and invoice procedures).

At MCPS, the Procurement Division controls the majority of Purchase Order numbers. A purchase order number is assigned only after the Accounting Division has successfully encumbered the funds necessary to support the transaction detailed on the Purchase Order form.

However, many numbers are routinely released in blocks of several hundred to user organizations:

a. Maintenance Division (approximately 2,900 in fiscal year 1982);

b. Supply and Property Management Division (approximately 1,800 in fiscal year 1982); and

c. Processing Services (approximately 12,000 in fiscal year 1982[1/]) for purchase of library books and film media).

By releasing purchase order numbers, the Procurement Division has partially released control of the power to formally contract for goods and services on behalf of MCPS. Procurement staff have no knowledge of the purchase until the contract has been executed and a vendor invoice received. Procurement staff have no opportunity to provide control or support.

1/ This total is not included in Exhibit III-1 because these purchases are processed independent of the Procurement Division.

C. RECOMMENDATIONS

Our findings and conclusions all point to inconsistencies between, and among, procurement policy, practices and associated controls. We believe this has occurred because some portions of the existing policy may be impractical (such as requiring all correspondence with vendors be through the Procurement Division). In addition, some management disagree with other portions, such as specifying that no MCPS official or employee outside the Procurement Division, excepting the Superintendent, is authorized to order supplies. Our findings also indicate that some procurement functions are not being performed or are being performed inconsistently.

We believe the best approach to address these areas is to restructure and clarify MCPS procurement policies so they best provide for user requirements, provide the necessary procurement controls, and insure all procurement functions are adequately performed. To be effective, we do not believe this policy can be based on a simple centralized or decentralized approach. Rather, it must consider instances where individual user requirements and levels of specialization necessitate a decentralized approach. Conversely, it must provide operating controls and central management necessary to maintain overall effectiveness.

To support this objective, we recommend MCPS improve the Manual for the Procurement of Equipment, Supplies and Contractual Services to help clarify MCPS procurement policy and better communicate the organizational roles and responsibilities supporting it. This improvement would not require that the current procurement approach be discarded. Rather, it would strengthen the current approach by addressing areas not fully covered by the current manual (e.g., procurement planning and control over purchase order numbers) and clarifying which procurement responsibilities legitimately rest with user organizations and which responsibilities rest with the Procurement Division.

The value and utimate success of such an improvement to the manual is dependent upon four factors:

1. Consistency;
2. Straightforward logic;
3. Acceptance by staff; and
4. Continuing visible support from management.

To facilitate successful implementation, we recommend process roles and responsibilities be based on a simple functional model that can represent the overall procurement process.

We have developed a preliminary model for each of the four procurement functions used in our analysis. The detailed roles and responsibilities for each function for both the Procurement Division and user organizations are provided below.

1. Needs Identification: Increase the analysis role of the Procurement Division and the three user organizations with warehouse systems.

As previously mentioned, the three MCPS organizations which operate a warehouse do not adequately consider inventory cost in making re-order decisions. In order to strengthen this area, we recommend user organizations periodically review procurement decisions to evaluate if selected items in inventory could be more economically shipped directly from an outside vendor. Conversely, high volume items not in the warehouse inventory should also be analyzed to determine the most cost effective procurement approach.

The analysis methodology should provide a consistent treatment of "non price" costs such as warehouse overhead. A simple approach would involve developing an item warehouse cost consisting of total annual warehouse operating expenses (utility, heat, etc.), ware house depreciation factor, related Division personnel expense and additional transportation equipment costs divided by the number of items processed.

The resultant "inventory cost" should be added to the current bid price when analyzing quantations from vendors for direct shipment.

A more sophisticated analysis would involve developing categories of "inventory costs" that consider item variations such as size and rate of inventory turnover.

In addition, we recommend the Procurement Division expand its involvement in Needs Identification. On a project basis, we recommend the Procurement Division conduct a series of individual analyses aimed at identifying items which can be:

a. Consolidated into one-time, firm price purchases (e.g., educational supplies currently ordered from vendors throughout the year); and

b. Incorporated into a warehouse system (individual items ordered on a repetitive basis).

Exhibit III-8 provides a summary description of these responsibilities.

EXHIBIT III-8

RECOMMENDED FUNCTIONAL ROLES & RESPONSIBILITIES
FOR
NEEDS IDENTIFICATION

PROCUREMENT SUBFUNCTION	PRIMARY RESPONSIBILITY BY PROCUREMENT PROCESS			RECOMMENDED ROLE & RESPONSIBILITY		COMMENT	
	VERBAL QUOTE	WRITTEN QUOTE	BID OR RFP	PROCUREMENT DIVISION	USER ORGANIZATION	ORGANIZATIONAL IMPACT	ANTICIPATED BENEFIT
RE-ORDER DETERMINATION	User	User	User	Identify and investigate items which can be consolidated into one-time purchases and/or included in supply warehouse	Primary ongoing responsibility	Increases Procurement Division analytical role	More cost effective inventory decisions
INVENTORY COST	User	User	User	Minimal - Provide support as requested	Structured inventory versus buy analysis	Increases formal responsibility of user organizations	More cost effective inventory decisions

Touche Ross & Co

2. Procurement Planning: Develop formal procurement planning responsibilities within both the Procurement Division and User Organizations.

As previously mentioned, procurement planning responsibilities for supplies and equipment are highly decentralized and unstructured. In order to strengthen this area, we recommend MCPS Procurement Division staff take on a greater analytical role. While user organizations should have primary responsibility for the listed procurement planning functions, we believe there is potential benefit in increased Procurement Division involvement. Specifically, we recommend MCPS:

a. Increase the Procurement Division's formal forecasting role. A major activity would involve consolidating user requirements into one-time (e.g., annual) purchases through firm quantity, fixed price bids. This would replace the current practice of processing individual orders from bid lists. The objective of this activity would be to reduce purchase order volume and simplify bid analysis.

As an example, schools would forecast their physical education supply requirements on an annual or semi-annual basis. The Procurement Division would consolidate these requirements into a firm quantity bidrequest. Vendors would provide a single, firm price, bid. The schools would not prepare a Requisition/ Purchase Order to obtain their supplies. The Procurement Division would provide shipping instructions to successful bidders based on the original requirements analysis.

b. Increase the Procurement Division's market research activities. Although user organizations have specialized experience and expertise, the Procurement Division can play a major role, especially for products or services used by multiple organizations. We believe this function should be structured into individual market research products that can be pursued by an individual Buyer. Potential projects include copier equipment, transportation services and teaching aids.

One project would include:

- Completing an inventory of all copier equipment and related user specifications;
- Evaluating how user specifications vary among users;
- Implementing alternate equipment in user organizations, on a trial basis;
- Soliciting and analyzing user experience with alternate equipment; and
- Matching user specifications to available equipment.

Exhibit III-9 summarizes the roles and responsibilities we recommend for the Procurement Planning function.

3. Vendor Solicitation and Award: Increase formal user vendor solicitation activities, but maintain final award authority with the Procurement Division.

As previously mentioned, vendor solicitation and selection activities are performed on a decentralized basis, contrary to policy. In some cases, there are limited controls to assure each purchase was necessary and obtained at the best price. To address this problem, we recommend MCPS modify existing policy to provide user organizations more latitude in obtaining verbal and written quotations, but acting under Procurement Division control.

Specifically, we recommend:

a. User organizations take a lead role in obtaining verbal and written quotations;

b. Procurement Division staff support users by suggesting alternate vendors and/or products; and

c. In all instances, Procurement Division staff provide a control point by retaining final authority for contract approval (i.e., they can require that additional quotations be obtained).

EXHIBIT III-9

RECOMMENDED FUNCTIONAL ROLES & RESPONSIBILITIES

PROCUREMENT PLANNING

PROCUREMENT SUBFUNCTION	PRIMARY RESPONSIBILITY BY PROCUREMENT PROCESS			RECOMMENDED ROLE & RESPONSIBILITY		COMMENT	
	VERBAL QUOTE	WRITTEN QUOTE	BID OR RFP	PROCUREMENT DIVISION	USER ORGANIZATION	ORGANIZATIONAL IMPACT	ANTICIPATED BENEFIT
FORECASTING	User	User	User & DOP	Consolidate & analyze user forecasts in order to improve purchasing effectiveness	Develop periodic forecasts of procurement requirements (e.g. specific items for next year)	User Organizations must clearly define specific procurement needs	Reduce Purchase Order Volume Simplify bid analysis
SPECIFICATIONS DEVELOPMENT	User	User	User & DOP	Quotes - little involvement administrative support Bids - approval authority	Quotes - Primary responsibility Bids - Prepare for DOP approval	Shifts primary responsibility for quote specifications to User	Clarify User role
MARKET RESEARCH	User	User	User & DOP	Identify and pursue individual market research projects (e.g., copier equipment, transportation services, teaching aids)	Primary responsibility	Recognizes many user orgnaizations have specialized technical expertise	Focus Peocurement Division resources on individual "high return" projects
LEASE VERSUS BUY ANALYSIS	DOP	DOP	DOP	Complete ongoing analysis as part of contractual control function	Support Procurement Division analysis	Increases Procurement Division responsibility	Increase analysis effectiveness
PRODUCT SUBSTITUTION ANALYSIS	User	User	User	Identify and pursue individual projects on major purchases (e.g., warehouse items, maintenance items)	Primary responsibility	Minimal - completed in conjunction with forecasting analysis	Clarify roles

We believe this approach would be beneficial because (1) user organizations have the technical or product expertise typically associated with these quotes and (2) it would allow the Procurement Division to divert resources to analytical activities.

Exhibit III-10 summarizes the roles and responsibilities we recommend for this function.

4. Contract Administration: Clarify and increase Procurement Division responsibility for Contract Administration

As previously mentioned, Contract Administration activities are performed on a highly decentralized basis. We believe this limits the effectiveness of MCPS controls on contractual commitments and associated financial transactions. In order to strengthen this area we recommend the Procurement Division have primary responsibility for:

a. Control of purchase order numbers. We recommend that the Procurement Division establish control of all purchase order numbers. No order for supplies and equipment should be final until the Procurement Division has provided a purchase order number (i.e., this number identifies the contractual agreement between MCPS and the vendor).

   Orders that occur on a recurring basis (e.g., food items, fuel oil, etc.) should be covered by a Blanket Purchase Order (BPO). Vendors should reference the BPO number with each invoice.

b. Placing orders with vendors. To provide a mechanism to control who has the power to commit MCPS funds, we believe it is important to restrict which organizations can directly submit orders to vendors.

   Whenever possible, the Procurement Division should process and submit orders. There will be instances where expediency requires the user organization place orders directly. In these cases other controls are necessary. For example:

EXHIBIT III-10

RECOMMENDED FUNCTIONAL ROLES AND RESPONSIBILITIES

VENDOR SOLICITATION AND SELECTION

PROCUREMENT SUBFUNCTION	PRIMARY RESPONSIBILITY BY PROCUREMENT PROCESS			RECOMMENDED ROLE & RESPONSIBILITY		COMMENT	
	VERBAL QUOTE	WRITTEN QUOTE	BID OR RFP	PROCUREMENT DIVISION	USER ORGANIZATION	ORGANIZATION IMPACT	ANTICIPATED BENEFIT
BID/QUOTE REVIEW	User	User/ DOP	User/ DOP	Bid/RFP - Central Management Written Quote - Coordinate activities Verbal Quote - Minimal	Bid/RFP - Technical review Written Quote - Technical support Verbal Quote - Lead role	Increasing formal user responsibility requires policy change	Reflects actual practice in some cases
VENDOR SELECTION	User	User/ DOP	User/ DOP	Bid/RFP - Coordinate activities Written Quote - Coordinate activities Verbal Quote - Minimal	Bid/RFP - Technical support Written Quote - Technical support Verbal Quote - Lead role	Increase Procurement role as coordinator	Improved operational controls through increased management role of Procurement Division
CONTRACT AWARD	DOP	DOP	DOP	Provide administrative support and maintain records	Minimal	Emphasize central Procurement Division responsibility for all contracts	Enhance controls on commitment of funds (i.e., formal check and balance)

- The Food Services Division directly places vendor orders for highly repetitive or perishable items. In these instances, the use of Blanket Purchase Order and some form of call record of order slip should be used. However, when the Food Services Division is ordering warehouse items in truckload and railcar lots, we recommend a Purchase Order be prepared.

- The Maintenance and Transportation Divisions require some items on very short notice. In these instances, we recommend a Blanket or Confirming Order be used. However, we believe a limited number of individuals should be authorized to place the order.

c. Approving Invoice Unit Amounts. In most instances, this function is fulfilled when the Procurement Division approves a Purchase Order (i.e., the contract between MCPS and the vendor). If the contractual agreement is in another form, such as a formal contract, we recommend the Procurement Division review and approve invoices associated with the contract.

Exhibit III-11 summarizes roles and responsibilities associated with these recommendations.

In summary, relative to our functional analysis, implementing the procurement model as summarized in Exhibits III-8 to III-11 will help to improve and strengthen MCPS procurement practices.

Section IX (Implementation Plan) presents the sequence of activities we believe are necessary to:

1. Finalize procurement summarized on Exhibits III-8 to III-11.

2. Translate the model into an accepted process description clarifying roles and responsibilities for procurement activities and their associated controls (e.g., use of documents, management reports, monitoring activities).

3. Integrate the process description into the MCPS procurement practice.

EXHIBIT III-11

CONTRACT ADMINISTRATION

PROCUREMENT SUBFUNCTION	PRIMARY RESPONSIBILITY BY PROCUREMENT PROCESS			RECOMMENDED ROLE OR RESPONSIBILITY		COMMENT	
	VERBAL QUOTE	WRITTEN QUOTE	BID OR RFP	DIVISION OF PROCUREMENT	USER ORGANIZATION	ORGANIZATIONAL IMPACT	ANTICIPATED BENEFIT
MONITOR PRICE ESCALATION	N/A	N/A	DOP	Quotes - Little or none (quotes typically single purchases) Bids - Primary responsibility	No formal responsibility	See Financial Management Recommendations (Section VIII)	None
CONTROL OF PURCHASE ORDER NUMBERS	DOP	DOP	DOP	Primary control	No formal responsibility	Increases role of Procurement Division	Enhance control of authority to commit funds
PLACE ORDER WITH VENDOR	DOP	DOP	DOP	Primary responsibility	Minimal responsibility - typically for emergency or critical items (individual call records should be maintained)	Increases Procurement Division processing requirements	Enhanced control of authority to commit funds
EXPEDITE SHIPMENT	User	User	User	Provide support as required (e.g., schools)	Primary responsibility	None - No change from established practice	None
MONITOR DELIVERY SCHEDULE	User	User	User	Minimal	Primary - Provide exception analysis reports to DOP if service problems exist	None - User can best evaluate need and priority	None
RECEIVE & INSPECT MATERIAL	User	User	User	No responsibility	Primary responsibility	None - No change from established practice	None
VERIFY INVOICE ITEMS QUALITY	User	User	User	No responsibility	Primary responsibility - Typically completed by approving receiving report	None - No change from established practice	Achieve clear separation of controls (see No. 8)
APPROVE INVOICE UNIT AMOUNT	DOP	DOP	DOP	Primary responsibility - Must involve either Purchase Order or vendor invoice	Minimal responsibility - Typically on emergency or critical items (see No. 3)	Shifts some processing activities to Procurement Division	Achieve clear separation of controls

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IV. PROCUREMENT OF CONTRACTUAL SERVICES

The purpose of this section is to present our findings and recommendations on the procurement of contractual services at MCPS.

MCPS records indicate that expenditures for contractual services for fiscal year 1982 were approximately $3.7 million. Major services are:

1. Data processing maintenance;
2. Transportation of handicapped children;
3. Legal support; and
4. Lease and maintenance of equipment (e.g., copiers).

Our initial approach to analyzing procurement practices for contractual services was to interview Directors and selected staff of the six major user divisions, the Procurement Division and the Accounting Division. Preliminary observations indicated significant inconsistencies with established policy. Accordingly, we decided to complete a detailed review of procurement practices associated with a number of specific contract expenditures.

MCPS receives contractual services from several hundred vendors. However, our analysis indicates that only approximately 72 of these vendors involve services totaling more than $5,000 each during fiscal year 1982. We selected eight of these vendors for review. We chose vendors with relatively high levels of continuing activities. We did not select vendors which provided a one-time, unique service.

Total expenditures for the eight vendors we reviewed was approximately $1,122,700[1] or 30% of total fiscal year 1982 expenditures.

We reviewed one specific transaction (i.e., payment generated by MCPS in response to an invoice) for each of these eight vendors. We attempted to select a transaction representative of ongoing operations. Specifically, we sought vendor payments that were relatively large and/or were repeated from month-to-month. The individual transactions (i.e., eight check vouchers) we selected total $146,000.

Exhibit IV-1 lists the vendors and expenditures associated with our review.

1/ Estimate based on unaudited records of expenditures for first eleven months of fiscal year 1982.

EXHIBIT IV-1

LISTING OF TRANSACTIONS REVIEWED
FOR
CONTRACTUAL SERVICES PROCUREMENT PRACTICES

Vendor	Estimated Annual Expenditure	Contractual Service	Individual Payment $	Check Voucher No.
1. IBM	$ 500,000	Lease of Data Processing Equipment	46,069	576029
2. Barwood Cab Co.	340,000	Taxi transportation of Handicapped Children	45,525	581793
3. Montgomery Preschool Achievement Center	90,000	Transportation for Handicapped Children	12,278	572141
4. Municipal Leasing Corp.	12,300	Lease of Data Processing Equipment	10,235	542115
5. Eyres Bus Service	26,200	Travel Service to Adult Education[1/]	2,100	554945
6. The Math Box	13,000	School Microcomputer Maintenance	2,170	569337
7. Summit Lake Camp	62,800	Day Camp for Grades Six and Eight	21,064	571909
8. Codex Corp.	78,400	Lease/Buy Payments for Modems	6,677	569387
	$1,122,700		$146,118	

SOURCE: MCPS listing of contractual services for first eleven months of 1982 fiscal year.

1/ Participants reimburse MCPS adult education for service

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Our detailed discussion of findings is provided below. We have developed two overall conclusions from these findings:

1. Many procurement practices for contractual services are unstructured.

2. Procurement control over contractual services is inadequate. There is potential for:

    a. Overpayment;
    b. Inappropriate use of funds; and
    c. Misuse of authority.

Our recommendations related to our findings and conclusions are provided at the end of this section.

A. FINDINGS

1. Procurement practices for contractual services are very unstructured, decentralized and inconsistently applied. With the exception of administering formal bids, the Procurement Division has limited involvement. As a result, MCPS has no standard means of controlling expenditures related to contractual services.

A summary of the Procurement Division's involvement in the procurement of contractual services is provided in Exhibit IV-2.

In general, the overall division of responsibilities between the Procurement Division and user organizations in the procurement of contractual services is not clearly defined or understood. The existing procurement manual is primarily aligned to consulting services. It is silent on documentation flow, authorization signatures, and specific contractual document requirements.

Procurement needs identification activities, as presented in Section III (Procurement of Supplies and Equipment) is not applicable to contractual services. Specifically, there are no inventory control activities associated with contractual services.

Planning activities for contractual services are primarily limited to the budget process and do not involve the Procurement Division (i.e., the Procurement Division does not receive a summary of projected service requirements).

Vendor Solicitation and Selection practice is inconsistent. Our analysis indicates Procurement Division involvement is greatest in administering the Request for Proposal (RFP) process for the original contract. However, there are noteworthy exceptions:

a. Four of the eight transactions we reviewed involved agreements developed independent of the Procurement Division:

   - Barwood Cab Co. (estimated annual expenditures of $340,000).

   - Montgomery Preschool Achievement Center (estimated annual expenditures of $90,000).

EXHIBIT IV-2

SUMMARY REPRESENTATION OF DIVISION OF PROCUREMENT INVOLVEMENT IN PROCUREMENT FUNCTIONS FOR SERVICES

Function	Procurement of	
	Services Via Verbal or Written Quotations	Services Via Formal Bids
1. Planning	Minimal	Mixed - Primarily involves administering bid process
2. Vendor Solicitation and Selection	Low	High
3. Contract Administration	Low	Minimal

SOURCE: Management interviews

Minimal Involvement - Division of Procurement is not involved on a regular basis. User divisions have primary responsibility.

Low Involvement - Division of Procurement is involved on a regular, but limited basis. User divisions have a major role, but require Division of Procurement support.

High Involvement - Division of Procurement has a lead role. User organizations provide administrative support.

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- Eyres Bus Service (estimated annual expenditures of $26,200).

- Summit Lake Camp (estimated annual expenditures of $62,800).

b. One contractual agreement we reviewed (i.e., the lease agreement with Codex Corp.) was developed through the Procurement Division, but was later modified to add additional equipment.

c. Some schools have independent agreements with vendors for copier service. We identifield seven cases involving total expenditures of approximately $44,000.

Unless the contractual agreement is supported by a purchase order, the Procurement Division has minimal contract administration involvement. Specifically, the Procurement Division does not:

a. Maintain a record of all contractual service agreements[1/];

b. Control contractual reference numbers (e.g., contract numbers); and

c. Review or approve vendor invoices for many contractual services.

2. For seven of the eight transactions we reviewed, there was insufficient control of documentation authorizing expenditures for contractual services. As a result, MCPS staff committed funds for services which were not supported by either a formal contract or Board of Education approval.

A summary of authorization documentation for our contractual services review is presented in Exhibit IV-3. For each of the eight transactions, we attempted to identify what documentation was available to authorize vendor payment. Specifically, we sought to determine if there were a current contract and MCPS Board of Education Resolution supporting each payment.

1/ The Procurement Division is beginning to establish this function.

EXHIBIT IV-3

SUMMARY OF AUTHORIZATION DOCUMENTATION

CONTRACTUAL SERVICES REVIEW

Vendor	Individual Transaction		Documentation Description	
	Vendor Payment	Service	Contract	Board of Education Resolution
1. IBM	46,069	Lease of Data Processing Equipment	Records available[3]	Records available[3]
2. Barwood Cab Co.	45,525	Taxi transportation of Handicapped Children	NONE - Verbal Agreement	None
3. Montgomery Preschool Achievement Center	12,278	Transportation for Handicapped Children	NONE - Verbal Agreement	None
4. Municipal Leasing Corp.	10,235	Lease of Data Processing Equipment	Contract available (No. 81-302M)	Yes - June 1981
5. Eyres Bus Service	2,100	Trip to World's Fair	None[1]	None[1]
6. The Math Box	2,170	School Microcomputer Maintenance	NONE - Contract expired November 1980	None - Previous resolution expired January 1979
7. Summit Lake Camp	21,064	Day Camp for Grades six and eight	Written Agreement	None
8. Codex Corp.	6,677	Lease/Buy Payments for Modems	Contract not available[2]	None - Previous resolution expired June 1981
	$146,118			

SOURCE: Division of Accounting Records and interviews in Accounting, Procurement and User Organization.

1/ Unclear if required as MCPS will resell tickets to students. Net expenditure should be zero.
2/ Contract not maintained in Division of Accounting, Procurement or user organization.
3/ This transaction was for the monthly lease payment for multiple agreements. The Department of Management Information and Computer Services had Contract and Board Resolution records. The Procurement Division and Accounting Division do not have copies of these records.

In summary, the availability of contractual documentation was minimal:

a. The Procurement Division had contractual records on only one of the transactions;

b. Two of the agreements involving total annual expenditures of $430,000 were completed on the basis of verbal contracts alone;1/

c. One contract was not current; and

d. One contract was not available. Neither the Procurement Division, Accounting Division, nor user organization could not produce a copy.

Also, the availability of an approved MCPS Board of Education resolution was inconsistent:

a. Only one transaction was supported by a current resolution;

b. One involved multiple resolutions. The Accounting and Procurement Divisions did not have complete records on these resolutions. The Division of Management Information and Computer Services maintains records on these resolutions;

c. Two had supporting resolutions that had expired; and

d. Four were not supported by a resolution. Of these, it is unclear if a resolution is necessary for two as they involve expenditures for which the public should reimburse MCPS.

3. For the eight transactions we reviewed, MCPS Division of Accounting had insufficient controls on expenditures for contractual services. Accounting personnel rely on the validity of documentation from the user organization and/or vendor. The potential for error or abuse is significant.

A summary of the Division of Accounting controls for our contractual services review is included as

1/ In both instances, these agreements involved the transportation of handicapped children. Because there is no written agreement it is unclear what potential liability MCPS has in case of injury to the children or contractor's personnel or equipment (e.g., taxicabs).

Exhibit IV-4. For each of the eight transactions, we attempted to identify the control practiced within the Accounting Division before authorizing vendor payment.

Documentation supporting the individual payment varied:

a. Three transactions totalling $78,867 were completed on the basis of internal memoranda. There was no reference to supporting contract number, purchase order or vendor invoice.

b. The remaining five transactions were supported by a vendor invoice, but only one involved a purchase order.

The Accounting Division has a practice of reviewing invoices for contractual services to assure payment is consistent with contractual terms and conditions. However, four of the eight transactions we reviewed were processed independent of the individual responsible for this activity.

Division of Accounting records indicate funds were not encumbered for any of the eight transactions.

In addition to the eight transactions we reviewed, we identified other transactions with similar characteristics. For example, the Accounting Division regularly generates payment to MCPS schools for repayment to outside vendors, typically for copier service. In fiscal year 1982 these transactions involved at least 7 schools and approximately $44,000.

These payments were processed on Form 280-48 which is intended for invoices of $25.00 or less. However, the Accounting Division regularly processes individual payments ranging up to $2,500 on these forms. The Procurement Division was not involved in these transactions.

EXHIBIT IV-4

SUMMARY OF DIVISION OF ACCOUNTING CONTROLS

CONTRACTUAL SERVICES AUDIT

Vendor	Individual Transaction		Supporting Documentation		Process Checks	
	Vendor Payment	Service	Invoice Type	Purchase Order	Checked Against Contract 1/	Prior Encumbrance
1. IBM	46,069	Lease of Data Processing Equipment	Vendor Invoice	No	Yes	No
2. Barwood Cab Co.	45,525	Taxi transportation of Handicapped Children	Internal Memo	No	No	No
3. Montgomery Preschool Achievement Center	12,278	Transportation for Handicapped Children	Internal Memo	No	No	No
4. Municipal Leasing Corp.	10,235	Lease of Data Processing Equipment	Vendor Invoice	Yes	No	No
5. Eyres Bus Service	2,100	Trip to World's Fair	Vendor Invoice	No	Yes	No
6. The Math Box	2,170	School Microcomputer Maintenance	Vendor Invoice	No	Yes	No
7. Summit Lake	21,064	Day Camp for Grades six and eight	Internal Memo	No	No	No
8. Codex	6,677	Lease/Buy Payments for Modems	Vendor Invoice	No	Yes	No
	$146,118					

SOURCE: Division of Accounting Records and interviews in Accounting, Procurement and User Organization.

1/ The Accounting Division has a practice of separately reviewing invoices for contractual services. A "No" indicates the review did not occur.

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B. RECOMMENDATIONS

Our overall recommendation for contractual services is consistent with that for supplies and equipment. We believe our findings for contractual services stem from the fact that MCPS does not have an established procurement process description or a consistent set of procurement guidelines. Accordingly, we recommend any effort to improve procurement activities for contractual services should be consistent with that for supplies and equipment. The two must be linked.

In addition, we have six recommendations that relate directly to contractual services.

1. Centralize control of all contracts for contractual services in the Procurement Division.

   As previously mentioned, procurement practices for contractual services are very unstructured, decentralized and inconsistently applied. To address this problem we believe MCPS should develop a contract control function in the Procurement Division.

   Specific control responsibilities would include:

   a. Reviewing all contracts on behalf of the Director of Procurement; and

   b. Maintaining a record of all MCPS contractual service commitments (for both original contracts and amendments) to support review and analysis.

2. Establish a policy that the Procurement Division must review and approve payments for contractual services

   As previously mentioned, controls on expenditures for some contractual services are inadequate. To address this problem we believe that the control function we described above would also have invoice approval responsibility.

   The primary approval activity would involve reviewing each invoice to assure the expenditures for contractual services were fully consistent with the service specified in the contract.

3. Establish clear levels of Contracting Agents.

To further enhance controls on contractual service expenditures, we recommend that MCPS develop a policy defining what level of management authorization is necessary for a contract to be valid. This policy would define the MCPS Contract Agent for each contractual agreement (i.e., the individual who has authority to commit MCPS for funds in return for a contractual service). We recommend:

The authorized Contracting Agent would depend on the value of the Purchase Order. Recommendation #2, Section VII details the Contracting Agent we suggest for different levels.

4. Periodically, forward a blanket notice to vendors reinforcing MCPS policy on contractual service authorization requirements.

As previously mentioned, some of the transactions we reviewed were not supported by valid (i.e., current written) contractual documents. To address this problem, we recommend that annually, MCPS forward a policy statement to each vendor providing more than $2,500 of services in a one-year period. The notice would indicate:

a. To be valid, contractual agreements, and subsequent amendments, must be written;

b. To be valid, contractual agreements must bear the signature of the correct Contracting Agent (see recommendation number three; and

c. MCPS Procurement Division is the point of contact on questions relating to individual contracts.

5. Clarify MCPS policy on sole source contracts.

As previously mentioned, many procurement practices for contractual services are unstructured. During management interviews it was evident that some managers strongly questioned, or were unsure of, procurement policy on obtaining contractual services on a sole source basis. Typically, these contracts involve agreements where:

a. Service value is minimal;

b. Service is very specialized; and

c. Service recurs from year to year.

We recommend MCPS clarify its policy as outlined below:

a. Cost of service is minimal (e.g., less than $500) and the expense of competition is excessive relative to value of service. We recommend these contracts be left to the discretion of the user organization. The primary role of the control function in the Division of Procurement would be:

   - To monitor expenditures to prevent abuse (i.e., one vendor receiving multiple $500 contracts for like services); and

   - To provide a Contracting Agent (i.e., the individual who has authority to commit MCPS for funds). In this instance, the Contracting Agent provides an administrative review (e.g., use of correct documentation) only.

b. Nature of service is very specialized and open competition would cause unreasonable delay and expense. We recommend these be limited to less than $5,000 per year and have approval of the Director, Division of Procurement.

c. Recurring services that continue over several years (e.g., maintenance agreements). We recommend these be supported by an approved Board of Education resolution that specifically states:

   - Start and expiration date for the service; and

   - Rationale detailing why the service cannot be subject to annual competition (e.g., maintenance support included in multi-year lease agreement).

We believe MCPS should address these recommendations within the framework of the Implementation Plan described in Section IV.

V. OPERATING PERFORMANCE

The purpose of this section is to present our findings and recommendations related to the operating performance of the Procurement Division. Included are findings on vendor and user satisfaction with the procurement process, operating efficiency of the department, and the use of data processing.

A detailed discussion of our findings related to the operations of the Procurement Division is provided below.

We have developed three overall conclusions through these findings:

1. MCPS Procurement Division's operations are efficient even though somewhat labor intensive. Improvements can be made in the use of personnel through a modification of purchase order processing requirements.

2. Data processing support could assist the Division in several procurement functions.

3. Working relationships between the Procurement Division director and managers in user organizations need to be improved to support development of a effective procurement process.

Recommendations are provided at the end of the section.

A. FINDINGS

1. Purchase Order Processing is highly labor intensive.

Procurement Division staff thoroughly review each purchase order. However portions of the review are redundant. Both the Procurement Division and Accounting Division staff verify mathematical extentions on each line item, purchase order total, and account number classification.

In addition, the review does not vary by Purchase Order source. Most orders from the Supply and Property Management Division are based on output of an automated inventory control system. The output provides most of the Purchase Order data. Accordingly, the error rate is relatively low. As shown in Exhibit V-1 the rejection rates for these Purchase Orders is approximately 2.7% (49 of approximatley 1782). About half involved corrections to mathematical extentions and totals. A few others had incorrect specifications (e.g., item description, vendor address). It is unclear if it is productive to review these orders beyond verifying unit price and terms.

2. The same processing procedure is used for large and small orders, although at least 30% of all purchase orders from schools are under $50.

Approximately 69% of the estimated 36,570 (see Exhibit III-1) purchase orders processed by the Procurement Division during fiscal year 1982 originated from schools. Many of these were for small amounts. Specifically, based on a review of a random sample of 562 purchase orders, we estimate:

a. 10,800 (30% of all orders processed) were for $50 or less; and

b. 17,100 (47% of all orders processed) were for $100 or less.

Exhibit V-2 summarizes this distribution. Most of these items do not appear to be for repetitive or supply items. They tend to involve specialized teaching supplies such as fraction circles or frogs eggs.

The level of processing and review associated with these orders is disproportionate to their value. Specifically:

EXHIBIT V-1

SUMMARY OF REVISIONS TO REQUISITIONS

FROM

DIVISION OF SUPPLY AND PROPERTY MANAGEMENT
(April 16, 1981 to April 14, 1982)

		No. Rejects	Percent of Total 1/
MATHEMATICAL			
Extention	15		
Total	7		
		22	1.2
SPECIFICATIONS			
Item No.	2		
Description	5		
Vendor Address	5		
		12	0.7
UNIT PRICE		8	0.4
TERMS (e.g., Prompt Payment Discount)		4	0.2
OTHER		3	0.2
TOTAL		49	2.7

1/ Annual estimate of 1982 (see Exhibit III-1)

EXHIBIT V-2

VALUE DISTRIBUTION OF PURCHASE ORDERS[1]

PREPARED BY MCPS SCHOOLS

$ VALUE	PERCENT OF TOTAL	ESTIMATED TOTAL
0 - 25	21	5,290
26 - 50	22	5,543
51 - 75	15	3,779
76 - 100	10	2,519
101 - 125	6	1,512
126 - 150	4	1,008
151 - 175	4	1,008
176 - 200	3	756
Above $200	15	3,779
	100	25,194

1/ Based on a sample of 562 purchase orders from 12 schools.

a. Each requires signature of school principal, Secondary Account Manager and Director, Division of Procurement;

b. Each is reviewed in the Procurement Division. Although these orders do not receive as extensive a review as larger orders, each is checked for authorizing signatures, and overall completeness. A Procurement Division Buyer reviews and initials each order; and

c. Each is processed by Division of Accounting encumbrance process to assure sufficient funds are available.

3. Although labor intensive, the existing purchase order processing system is efficient.

A summary of purchasing order processing duration is included as Exhibit V-3. The duration of processing time is not excessive although processing varies with the type of purchase order.

Our analysis indicates total purchase orders for bid items require 4.7 days from receipt of order to distribution to vendor. This duration includes:

a. 2.2 Days - Procurement Division review and approval

b. 2.0 Days - Accounting Division encumbrance process

c. 0.5 Days - Procurement Division distribution

Processing duration is four to five days longer if written or verbal quotes are necessary.

While these durations can be improved, it is doubtful if efforts to further reduce processing duration through significant process revisions or investments in automated data processing would be cost effective.

EXHIBIT V-3

PURCHASE ORDER PROCESSING DURATION

SOURCE AND TYPE OF PURCHASE ORDER		Average Total	Initial Division Of Procurement Processing 1/ Avg	Division of Accounting Avg	Final Procurement Distribtuion Avg
TRANSPORTAION	- General (Bid Items)	4.5	2.5	2.0	.5
	- Confirming	4.5	2.0	2.0	.5
	- Blanket	4.4	1.9	2.0	.5
MAINTENANCE	- General (Bid Items)	4.9	2.4	2.0	.5
	- General (Telephone Quotes)	9.5	7.0	2.0	.5
SUPPLY & PROPERTY MANAGEMENT	- General (Bid)	2.7	2.2	0 2/	.5
	- General (Telephone	7.4	6.9	0 2/	.5

1/ Number of days from receipt in Division of Procurement.to release to Division of Accounting for encumbrance process.

2/ Purchase orders for Supply and Property Management are distributed to vendors before funds are encumbered.

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4. On our written vendor survey, vendors rated MCPS procurement practice highly.

We completed a written survey to determine vendors perceptions of MCPS procurement practice. We distributed the survey to approximately 120 vendors selected at random and received 32 responses (i.e., 26% response rate). A copy of the survey instrument is included in the Appendix.

The survey addressed four areas:

a. Overall vendor perception;

b. Rating of the bid/quote process;

c. Rating of the ordering process; and

d. General comments.

Overall, vendors rated the MCPS procurement process very highly (i.e., average response was approximately mid-way between good and excellent). Only one respondent gave a poor rating.1/

Similarly, respondents indicated they found procurement practices in MCPS more effective than in other school districts. The average rating was 3.9.2/

In both cases, the responses were very consistent, there was no significant variance by size of vendor.3/

Typical comments included:

a. "Orders are clear and concise";

b. "Quick response on questions";

c. "Quick approval on price increases";

d. "Very organized bid process";

e. "Very knowledgeable Buyers"; and

f. "Complete bid specifications."

1/ This vendor indicated they received too many small orders.
2/ Rating scale of: 5 = Much above average; 4 = Somewhat above average; 3 = Average; 2 = Somewhat below average; and 1 = Much below average.
3/ The survey considered vendor size in terms of purchase orders processed, and purchase order value.

Vendors also rated MCPS procurement bid and quote practices very high. On average, respondents rated existing practice for obtaining written bids, written quotes and verbal quotes between good and excellent. No responses were below fair. Vendors commented that requests for bids and quotes were clear. Others noted the process was typically completed in a timely manner.

In addition, many respondents commented further on MCPS bidding practice. The majority of these indicated:

a. Available response time is adequate;

b. Terms and conditions confirm to normal practice;

c. Bid specifications are adequate; and

d. Terms for price escalations are adequate.

Vendors rated MCPS ordering practice very highly (i.e., between good and excellent, on average). No vendor provided a response below fair. Comments included:

a. "Best in state";

b. "Staff are always efficient and courteous"; and

c. "Excellent."

Exhibit V-4 summarizes survey results for MCPS bid and order practice.

The survey addressed a number of other procurement practice areas. We discuss these separately below.

Sixteen respondents (50% of respondent population) indicated that increased centralized delivery points would not be of benefit. Seven (21%) respondents indicated some savings may be gained, typically through reduced transportation costs. Nine did not respond.

Sixteen respondents (50% of respondent population) indicated that the MCPS practice of not processing partial payments for partial shipment has not impacted the relationship with MCPS. Ten respondents (31%) indicated this was a problem. Many commented the delay causes a cash flow problem. Six did not respond.

These findings support earlier comments that the MCPS Procurement Division has been effectively administering procurement practices.

EXHIBIT V-4

SUMMARY OF VENDOR EVALUATION OF MCPS PROCUREMENT PRACTICE 1/

Bid/Quote Practice	Average Rating	No. of Respondents
Public Bid	4.3	28
Written Quotation	4.3	26
Verbal Quotation	4.1	21

Bid Analysis	Percent Positive Response 2/	No. of Respondents
Bid Response Time is Adequate	93	29
Bid Terms and Conditions Confirm to Normal Practice	93	14
Bid Specifications are Adequate	97	29
Terms for Price Escalation are Adequate	75	16

Order Practice	Average Rating	No. of Respondents
Verbal	4.5	14
Purchase Order Form	4.6	25
Vendor Order Form	4.0	2

1/ Rating = 5 - Excellent (very effective)
4 - Good
3 - Fair
2 - Poor
1 - Very Poor (very ineffective)

2/ Percentage indicates number of respondents that agree with statement shown (e.g., Bid Response Time is Adequate)

5. On our written survey of MCPS management in user organizations, most management rated the Procurement Division highly in processing purchase orders and resolving vendor problems.

As part of our study methodology, we distributed a written survey to school principals, Department Directors and Division Directors.

Among the survey questions, the respondent was asked to:

a. Rate the Procurement Division in processing Requisitions/Purchase Orders for bid items, vendor catalog items and other items; and

b. Rate the Procurement Division in resolving problems with outside vendors (e.g., delivery delays, partial shipments, inferior quality, etc.).

With few exceptions, respondents rated the Procurement Division highly in all categories. The overall response was typically good or excellent.

In processing Purchase Orders, respondents did not show a significant response variation among Purchase Order types (e.g., those for bid items, vendor catalog items, or other). However, ratings were inconsistent among individual respondents. Although the overall rating is very high, there are several examples of individual respondents providing a poor or very poor rating. This was particularly true for Division Directors.

In resolving vendor problems, respondents also rated the Procurement Division highly (i.e., between good and excellent). With the exception of Division Directors, results were higher and more consistent than in the rating for Purchase Order processing.

Exhibit V-5 summarizes these results.

As previously mentioned, existing Procurement Division operating practice emphasizes providing effective administrative support (i.e., a service function). The survey results indicate the Procurement Division staff have been very successful in this role.

EXHIBIT V-5

SUMMARY OF PROCUREMENT DIVISION RATING BY USER ORGANIZATIONS[1/]

RATING - 4 (EXCELLENT), 3 (GOOD), 2 (POOR), 1 (VERY POOR)

	SCHOOLS				ADMINISTRATIVE MANAGEMENT			
	Overall	Elementary	Junior High	High	Overall	Department Directors	Division Directors	Other
Total Respondents	29	12	10[3/]	7	20	11	6	3
Processing Purchase Orders[2/]								
- Average	3.3	3.2	3.4	3.2	3.2	3.3	2.9	3.4
- Range[5/]	-	H	H	L	-	L	H	L
Resolving Vendor Problems[4/]								
- Average	3.5	3.2	3.9	3.5	3.4	3.4	3.0	4.0
- Range	-	M	L	L	-	M	H	None

1/ Source - written survey
2/ Includes Requistions/Purchase Orders for bid items, vendor catalog items, and other items.
3/ Includes Middle Schools
4/ Includes problems with outside vendors, such as delivery delays, partial shipment, inferior quality, etc.
5/ Range - H - High = Ratings vary from 1 to 4
- M - Medium = Ratings vary from 2 to 4
- L - Low = Ratings vary from 3 to 4

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6. Some management in MCPS user organizations do not always have an effective working relationship with the Procurement Division Director and his organization.

During our interviews, some managers expressed resistance to the role and performance of the Procurement Division Director and his organization. Many management and staff indicated they believed their organization was better equipped to perform procurement functions. Several recommended that additioal procurement functions be decentralized outside the Procurement Division. These included:

a. Finalizing specifications for bids and quotations;

b. Determining if a competitive bid or quote is necessary (i.e., sole source decision);

c. Selecting vendors, particularly for contractual services; and

d. Placing orders directly with vendors.

A few had specific comments on their relationship with the Procurement Director. Their comments indicated a high level of frustration or an adversary relationship. Some questioned the judgment of the Procurement Director on procurement matters.

We question the validity of comments from Division managers based on a follow-up on several of their comments. Typically, for each comment there was a valid response or decision on the part of the Procurement Director. For example:

a. The desire for greater decentralization was contrary to established policy;

b. The decision to obtain additional quotations did obtain a lower price;

c. The decision to approve a price increase was justified; and

d. The decision to obtain a lower quality, and less expensive, item was acceptable.

We believe our findings on the effectiveness of working relationships stem largely from our earlier findings on variance between policy and established practices. It appears that this variance between policy and practice has contributed to a communications problem between the Director of the Procurement Division and management in some of the user organizations.

We believe that implementing the recommendation in Section III (Procurement of Supplies and Equipment) will help resolve this problem.

7. The Procurement Division appears to be operating less efficiently than some other nearby school districts for some procurement functions.

In order to compare the operating performance of the MCPS Procurement Division with similar functions in other school districts, we developed four performance indicators:

a. Orders per staff;

b. Bids per staff;

c. Expenditures per staff; and

d. Students per staff.

We believe these indicators must be considered as a group. We do not believe that it is valid to use any one performance indicator for comparison. There are too many variables. For example:

a. The mix of responsibilities can vary. The first indicator is orders per procurement staff personnel. However, not all staff process orders;

b. Individual state or county activities may supplement procurement activities (e.g., purchase of fuel oil, major food items);

c. The composition, structure and processing requirements (e.g., Board of Education approval) of formal bids vary; and

d. Procurement policy and practice (e.g., degree of centralization) can vary.

However, taken as a group, the MCPS Procurement Division appears less effective than similar operations in Arlington County, Prince George's County, Baltimore County and Frederick County.

In almost every instance the MCPS Procurement Division was at about the same level (as measured by the performance indicators) or below. Exhibit V-6 summarizes these findings.

EXHIBIT V-6

COMPARISON TO OTHER SCHOOL DISTRICTS

		OTHER SCHOOL DISTRICTS			
	Montgomery County	Arlington County	Prince Georges County	Baltimore County	Frederick County
STUDENT ENROLLMENT	95,587	14,500[1]	116,300[1]	89,000[2]	23,300
PROCUREMENT DATA					
1. No. Staff	19	4	8	12	7.5[3]
2. Orders Processed	36,000	7,200	40,000	32,000	15,000
3. Bids Processed	135	70	375	75	150
4. Estimated Expenditures (Supplies & Equipment)	$21,100,000	$5,400,000	$[illegible],000,000	$17,500,000	N/A
PERFORMANCE INDICATORS					
1. Orders Per Staff	1,895	1,800	5,000	2,667	2,000
2. Bids Per Staff	7	17	47	6	20
3. Expenditures Per Staff	$ 1,110,000	$1,350,000	$ 4,375,000	$ 1,450,000	N/A
4. Students Per Staff	5,030	3,625	14,540	7,420	3,110

1/ Source: On-site interview
2/ Source: Telephone interview
3/ One staff member had non-procurement responsibilities
4/ N/A - Not available

8. The Procurement Division is only beginning to explore the potential of data processing support. The lack of accepted functional requirements hampers development

MCPS procurement activities are almost entirely manual. The Procurement Division is beginning to explore word processing applications.

At least one major automated system with procurement functions has been developed largely independent of the Procurement Division. Under current plans, the Food Services Division's School Lunch Inventory Control System (SLICS) will develop and produce vendor orders for food items. However, we were unable to determine what role, if any, the Procurement Division has in monitoring or processing these orders.

The Department of Management Information and Computer Services has begun to conduct a feasibility study for an automated Procurement System. Activities associated with this study that are scheduled to be completred in February 1983 are:

a. Gather information and review capabilities of available software;

b. Define basic system and develop general functional requirements; and

c. Recommend make or buy action.

B. RECOMMENDATIONS

Our findings and conclusions all point to a need to improve MCPS Procurement Division operating performance. We believe many of our recommendations in previous sections will contribute to this goal. In addition, we have three additional recommendations:

1. Reduce the degree of purchase order checking in the Procurement Division.

   As previously mentioned, Purchase Order processing is highly labor intensive. To address this area, we recommend that MCPS:

   a. Eliminate verification of purchase order extentions and totals. Accounting Division staff complete this task in conjunction with processing vendor invoices.

   b. Eliminate verification of item descriptions and item numbers beyond an examination for overall clarity.

   c. Eliminate price checks on line items below a nominal amount (e.g., $25).

   d. Eliminate account number verification. Account classification should be completed by the Accounting Division during the encumbrance process.

2. Simplify and reduce processing activities on purchase orders for minor purchases (e.g., less than $100).

   As previously mentioned, the same processing procedure is used for large and small orders. To expedite these orders and reduce processing costs, we recommend MCPS adopt a policy directed at simplifying approval and processing requirements on purchase orders less than $100. Recommendation #2, Section VII, lists the purchase order approval limits we recommend. Specifically, on these purchase orders, we recommend:

   a. Reduce authorization signature requirements to:

      - Director of user organization or school principal. Do not require Secondary Account Manager review;

- Assistant Buyer review on Procurement (see Recommendations in Section VI, Organization and Staffing) for a description of this position). Do not require review by a Buyer or the Director of Procurement.

b. Reduce Procurement Division review to visual inspection for completeness.

c. Eliminate the requirement that funds be encumbered before the purchase can be completed.

d. Periodically review these purchases to determine if more effective purchasing methods are available such as including the item in warehouse stock or placing it on a bid list.

3. Complete a data processing requirements analysis.

As previously mentioned, the Procurement Division is only beginning to explore the potential of data processing support. We recommend MCPS complete a requirements analysis to clarify and prioritize areas where this support can be beneficial.

We believe this analysis should address:

a. Forecasting support. Our recommendations in Section III (Procurement of Supplies and Equipment) indicated it may be more cost effective for schools to periodically forecast their requirements and for the Procurement Division to consolidate these forecasts into a firm quantity bid request. Automated data processing support could greatly facilitate this process. Specific potential applications include:

- Maintaining item specifications;

- Preparing periodic shcool forecast (e.g., bid list) documents;

- Consolidating forecasts into bid descriptions; and

- Preparing vendor order documents (e.g., purchase orders).

b. Administrative support. Potential applications include:

- Maintaining vendor listing
  - Types of goods or service
  - User satisfaction
  - Name, address
- Maintaining contractual service records
  - Contract number
  - Expiration date

We believe any effort directed at clarifying these requirements must consider the overall process description addressed in Sections III and IV.

VI. ORGANIZATION AND STAFFING

The purpose of this section is to present our findings and recommendations related to the organization and staffing of the Procurement Division. An organization chart of the Division is included as Exhibit VI-1. A summary description of each of the components of the organization is provided below.

1. Director. Overall responsibility for managing the MCPS procurement function activities include:

    a. Organizing staff responsibilities;

    b. Representing the Procurement Division before the Board of Education;

    c. Developing an annual budget;

    d. Working with management outside the Procurement Division regarding procurement functions; and

    e. Assisting Buyers.

2. Buyer. Lead responsibility for completing a coordinating procurement functions. Activities include:

    a. Preparing bid specifications;

    b. Preparing quote and bid specifications;

    c. Evaluating vendor bids and quotations; and

    d Reviewing Purchase Orders.

3. Supervising Clerk. Responsible for supervising daily office activities, particularly involving purchase orders, verbal and written quotations, and formal bids. Activities include:

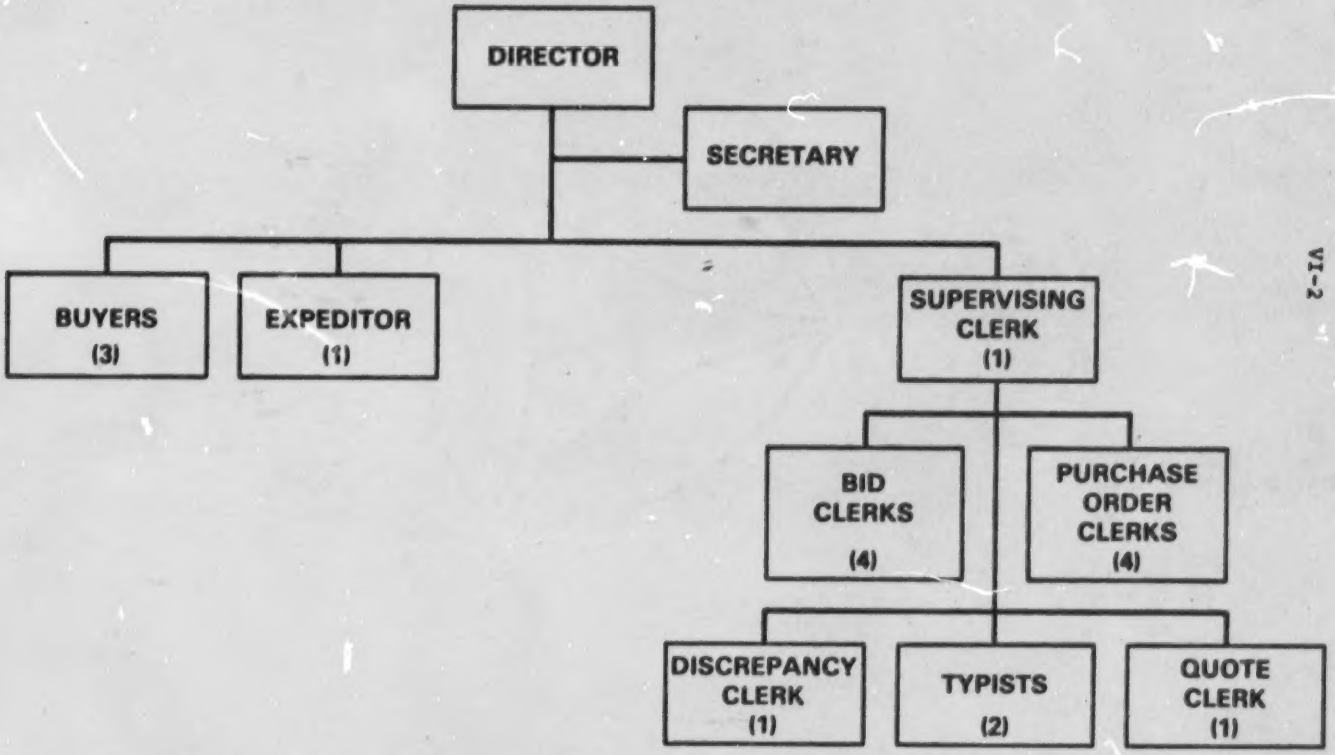
    a. Training new staff;

    b. Reviewing, directing and scheduling staff; and

    c. Acting as a liaison on matters pertaining to office activities.

EXHIBIT VI-1

ORGANIZATION CHART
MCPS DIVISION OF PROCUREMENT



4. Expeditor. Assists MCPS management, typically in schools, resolve purchasing and shipping problems. Activities include:

   a. Contacting vendors, usually by telephone, reconcile billing problems;

   b. Serving as a liaison between MCPS and the vendor for such matters as shipment shortages, damaged material or cancellations.

5. Bid Clerk. Primary responsibility for administering the formal bid process. Activities include:

   a. Supporting Buyers in developing item specifications;

   b. Preparing and distributing formal bid invitations;

   c. Assisting at public bid openings; and

   d. Preparing documentation to support Board of Education review.

6. Discrepancy Clerk. Responsible for processing changes and problems associated with Purchase Orders. Activities include:

   a. Preparing Discrepancy reports for purchase orders that were not accepted by the Accounting Division (e.g., because of lack of funds, invalid account number, etc.).

   b. Processing invoice price variances; and

   c. Assisting vendors and user organizations with purchase order problems.

7. Purchase Order Clerk. Overall responsibility for reviewing and processing Purchase Orders. Specific responsibilities include:

   a. Checking orders against bids, catalogs and quotes (i.e., verify item description, unit price, and vendor address and terms);

   b. Processing and distribute following encumberance; and

   c. Maintaining records and files.

8. Quote Clerk. Primary responsibility for obtaining verbal and written quotations from vendors. Responsibilities include:

    a. Preparing and distributing requests for written quotations;

    b. Filing and recording vendor quotations;

    c. Assisting at quotation openings; and

    d. Supporting the Buyer in obtaining and recording verbal quotations.

9. Verification Clerk. Responsibility for initial review on all orders. Specific responsibilities include:

    a. Logging in all orders;

    b. Verifying authorizing signature correct;

    c. Checking account number; and

    d. Distributing to Purchase Order Clerks.

A detailed discussion of our findings is provided below. We have developed two overall conclusions from these findings:

1. The Procurement Division is efficiently performing its current roles and responsibilities. These particularly involve purchase order processing and bid administration.

2. The mix and level of staffing should be revised in the future to more effectively carry out procurement responsibilities. However, decisions which clarify procurement policy and practice should precede changes to the mix or level of staffing.

Our recommendations related to our findings and conclusions are provided at the end of this section.

A. FINDINGS

1. Declining student enrollment has not had a significant effect on the Procurement Division workload.

The MCPS student population is declining. Total enrollment has declined from 112,625 in fiscal year 1978 to an estimated 95,600 in fiscal year 1982.1/

Our findings indicate this decline has not had a significant impact on Procurement Division workload.

a. The number of written quotations and bids are not declining. As shown in Exhibit VI-2, volumes appear to fluctuate independent of student enrollment.

b. The number of purchase orders has declined less rapidly than school enrollment. Since 1978 student enrollment has declined 3.8% per year while purchase orders have declined at 3.2% per year. Exhibit VI-3 illustrates this variance.

Of the three performance indicators, only the number of Purchase Orders is declining. This indicator is declining at a slower rate than overall enrollment.

2. The rate of budget staff reductions for the Procurement Division greatly exceeds that for the overall school system.

Our findings indicate budget reductions in Procurement Division staff are approximately twice that of the overall school system. Specifically:

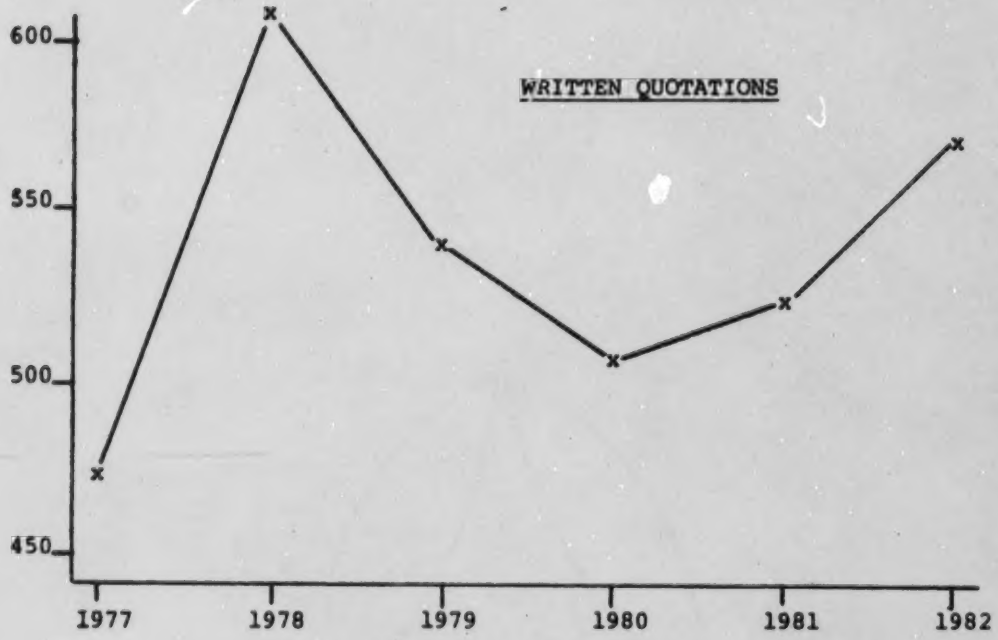
a. Overall MCPS budget professional and support service positions were reduced 6.6% from fiscal year 1978 to fiscal year 1983. Exhibit VI-4 illustrates this trend.

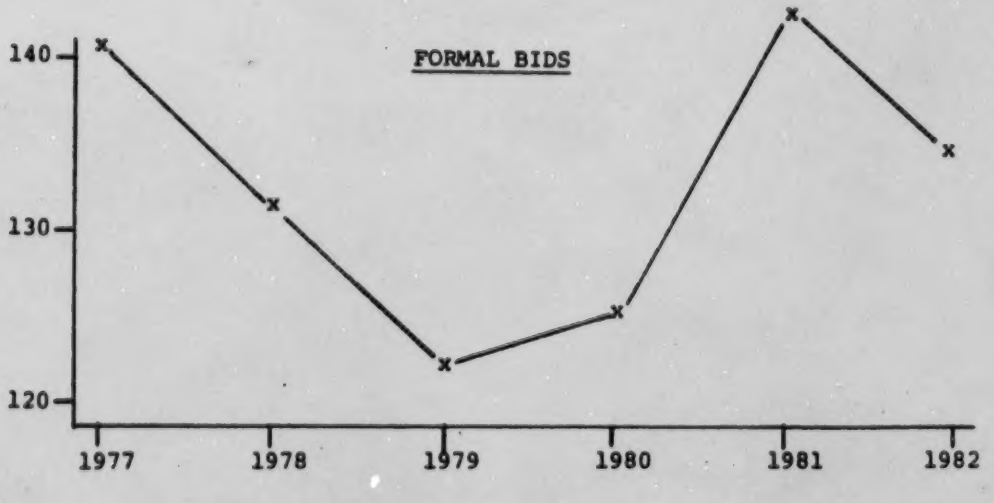
b. In the same period, budgeted Procurement Division staffing was reduced three positions or 14.3%. Exhibit VI-5 illustrates this trend.

EXHIBIT VI-2

WRITTEN QUOTE AND BID VOLUMES

1977 TO 1982

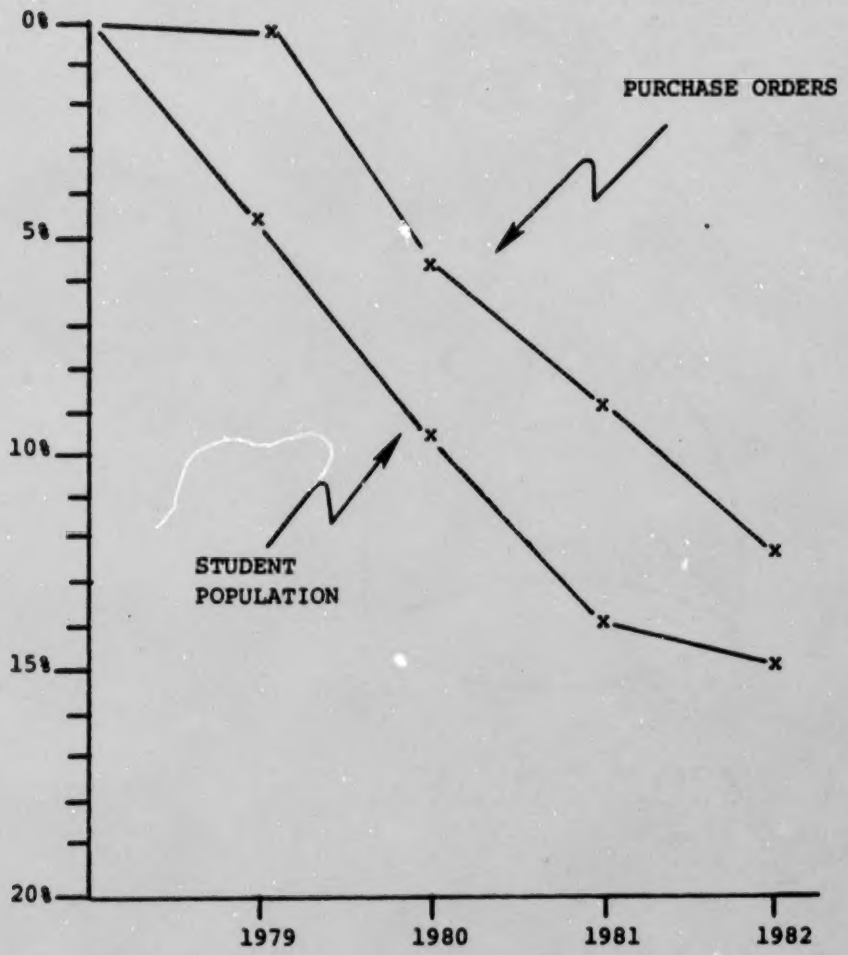




SOURCE: - MCPS Division of Procurement Records

EXHIBIT VI-3

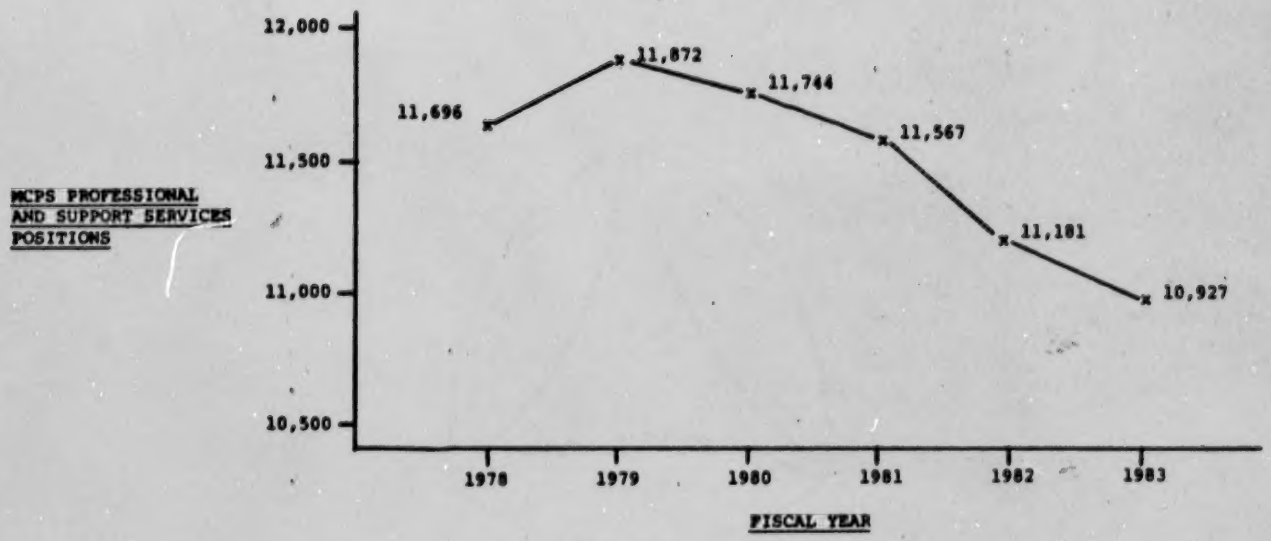
IMPACT OF DECLINING ENROLLMENT
PURCHASE ORDERS AND STUDENT POPULATION
PERCENT CHANGE FROM 1978 LEVELS



SOURCE: - Purchase Orders - Procurement Division records
- Student Population - MCPS Operating Budget

EXHIBIT VI-4

MCPS PERSONNEL LEVEL TREND



1/ Source - MCPS Approved Operating Budget
2/ Total Positions indicated in Fiscal Year Operating Budget

Exhibit VI-5

MCPS DIVISION OF PROCUREMENT

STAFFING LEVELS

FISCAL YEAR 1/	TOTAL STAFF	COMMENT
1977	22	-
1978	21	Buyer Position Eliminated
1979	21	-
1980	21	-
1981	20	Secretarial Position Eliminated
1982	19	Actual Staff is twenty through use of 1 over-run position
1983 2/	18	Actual Staff is twenty through use of 2 over-run positions

1/ Fiscal year is July 1 to June 30

2/ July and August 1982 only

However, it appears that efforts to reduce Procurement Division budgeted staff are somewhat ineffective because actual staff levels remain at twenty through the use of "over-run" personnel.

3. Efforts to reduce Procurement Division staff may not have been effective as a cost reduction technique.

The total cost to MCPS for procuring goods and services extends beyond the Procurement Division. Several organizations have staff that are, at least partially, assigned to procurement functions (e.g., obtaining vendor quotations, placing orders, checking invoice unit prices).

These organizations include the Transportation Division, the Division of Supply and Property Management, and the Division of Food Services. Exhibit VI-6 lists the procurement activities performed in these organizations.

In at least one instance, reductions in Procurement Division staff have influenced increased involvement of other staff in obtaining telephone quotations.

4. MCPS Procurement Division has insufficient staff to perform its responsibilities, as defined by current procurement policy.

Current procurement policy requires the Procurement Division to be directly responsible for many procurement activities. These include:

a. Vendor contact;

b. Written/verbal quotes; and

c. Placing orders with vendors.

Many of these and other procurement activities are performed by MCPS staff in various user organizations. The Procurement Division, at existing staff levels, could not perform all procurement activities currently being performed on a decentralized basis. However, adding staff without the implementation of responsibility and process recommendations included in Sections III and IV would not likely improve buying decisions sufficiently to generate a net cost savings.

EXHIBIT VI-6

SELECTED PROCUREMENT STAFF RESPONSIBILITIES OUTSIDE DIVISION OF PROCUREMENT

DIVISION	STAFF DESCRIPTION: GRADE LEVEL	STAFF DESCRIPTION: APPROXIMATE % INVOLVEMENT	PROCUREMENT RESPONSIBILITY
Transportation	10	30%	- Process Confirming Orders (check extentions and match with invoices
	12	30%	- Process Contract Orders (prepare P.O., process invoices, interact with Accounting)
	15	100%	- Responsible for Parts Inventory (obtain verbal quotations, coordinate Contract and Confirming purchases, frequent vendor contract)
Supply & Property Management	11	50%	- Prepare order, expedite shipments, process receiving reports
	9	70%	- Prepare order, expedite shipments, process receiving reports
	9	80%	- Prepare order, expedite shipments, process receiving reports
	10	70%	- Prepare order, expedite shipments, process receiving reports
Food Services	10	100%	- Process and submit vendor orders
	10	100%	- Process and submit vendor orders

SOURCE: - Management interviews

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5. Some Procurement Division staff are performing tasks that are not appropriate to their position.

We do not believe the distribution of procurement activities among Proucrement Division staff and management is always appropriate for the level of assigned responsibilities. Specifically:

a. Approximately 50% of Director's time is as a Buyer;

b. Buyers check and initial all purchase orders;

c. Buyers estimate that 10% to 30% of their time is spent on processing purchase orders;

d. Buyers conduct rather than supervise bid openings; and

e. One Buyer is in charge of training word processing operators.

These activities limit the ability of the Procurement Director and Buyers to pursue other more productive procurement functions (e.g., market research, forecasting, financial analysis, etc.). As a result, the overall effectiveness of the Division may be reduced.

6. The rate of turnover among Purchase Order Clerks is high. Turnover for other positions within the Procurement Division has been at reasonable levels.

During our review, several individuals within the Procurement Division indicated that they believe the staff turnover rate for Purchase Order Clerks is excessively high.

Some indicated the grade level (i.e., Pay Grade Seven) for this position is a significant factor. They reason that Pay Grade Seven is an entry level position, but that the responsibilities of a Purchase Order Clerk require an attention to detail and level of accuracy beyond entry level. Accordingly, it is reasoned, when other positions within MCPS become available, the individual moves to another job.

Our analysis indicates an annual turnover rate of 81% for this position. In comparison, the turnover rate for Bid Clerks is 33%.[1/] Turnover rates for other positions within the Procurement Division are lower. Several staff have had the same position for several years.

Many believe that the current grade level is too low and that this has contributed to the turnover rate. (However, it is unclear at this point whether or not the grade level is too low.) Other staff argue that the routine nature of the work and personal factors have contributed to the turnover rate. However, others maintain that the grade level, and compensation level is not comparable to similar positions within MCPS. Our analysis of procurement activities in MCPS user organizations supports this finding. In these instances grade levels are substantially higher (see Exhibit VI-6).

7. Procurement Division staff roles and responsibilities appear clearly defined and understood.

Procurement Division staff largely understand and understood their roles and responsibilities. For the most part, Procurement Division staff appear competent and effective. During interviews, several demonstrated they clearly understood their individual job activities and how they were structured. We were able to identify only minor inconsistencies among staff performing similar functions.

Three factors contribute to this observation:

a. Several positions have remained largely unchanged for several years;

b. Some staff have retained the same, or related position for several years; and

c. Detailed operating procedures, although some are handwritten, are available and used.

In addition, supervisory/staff lines appear to be understood and accepted. The two supervisory personnel (i.e., Supervising Clerk and Senior Buyer) demonstrated an appropriate level of staff support and direction, rather than extensive review.

1/ Turnover rates based on a review of Payroll Records for five fiscal years (1978 to 1982). A turnover rate of 33% indicates the average person retains the same position for 3 years. A rate of 81% indicates an average of 1.22 months.

B. RECOMMENDATIONS

The findings from our review of the Procurement Division staff point to a need to:

a. Revise the roles and responsibilities of some management and staff; and

b. Revise the overall mix and skill levels of staff within the Division.

The procurement model presented in Section III (Procurement of Supplies and Equipment), and subsequent recommendations in Sections IV and V have major implications for the mix and level of Procurement Division staffing. They require a shift away from administering and policing purchasing activities and toward reviewing and upgrading procurement practices. They would result in increased emphasis on cost reduction programs, financial analysis and contract administration.

We recommend MCPS continue to use the existing staffing levels while addressing these recommendations and the Implementation Plan described in Section IX.

In the longer term, the level and mix of staff may need to be revised to reflect changes in procurement practice and policy. Exhibit VI-7 summarizes the staffing pattern we believe would be consistent with the procurement model described earlier.

However, there are four recommendations we believe MPCS should consider in the near term:

1. Reduce the buyer activities of the Procurement Division Director.

   As mentioned, the Procurement Division Director, must spend 50% of his time acting as a Buyer. We believe the Director's activities should focus on providing overall direction and resolving major operating problems.

   We recommend the Director delegate day-to-day operating problems to the Supervising Buyer. Specific responsibilities of the Director of Procurement should include:

   a. Staff development;

   b. Operations review;

DIVISION OF PROCUREMENT
RECOMMENDED ALLOCATION OF ROLES AND RESPONSIBILITIES

POSITION	PROCUREMENT FUNCTION																					COMMENT
	NEEDS IDENTIFICATION		PROCUREMENT PLANNING					VENDOR SOLICITATION AND AWARD			CONTRACT ADMINISTRATION								OTHER			
	RE ORDER DETERMINATION	INVENTORY COST ANALYSIS	FORECASTING	DEVELOP SPECIFICATIONS	MARKET RESEARCH	ANALYSE NEW: USED LEASE BUY	PRODUCT SUBSTITUTION ANALYSIS	BID QUOTE REVIEW	VENDOR SELECTION	CONTRACT AWARD	MONITOR PRICE ESCALATION	CONTROL PURCHASE ORDER NUMBERS	PLACE ORDER WITH VENDOR	EXPEDITE SHIPMENT	MONITOR DELIVERY SCHEDULE	RECEIVE AND INSPECT MATERIAL	VERIFY INVOICE ITEMS AND QUANTITY	APPROVE INVOICE UNIT DOLLARS		
DIRECTOR (1)			20%	5%	5%			5%	10%	10%								5%	40% – OVERALL MANAGEMENT DIRECTION	INCREASED MANAGEMENT RESPONSIBILITY
SUPERVISING BUYER (1)			10%	15%	10%			10%	15%	5%	5%							10%	10% – SUPPORT DIRECTOR 5% – COST REDUCTION PROJECT	INCREASED ANALYTICAL RESPONSIBILITY
BUYER (2)			10%	15%	5%			20%	15%	5%	15%							10%	5% – COST REDUCTION PROJECT	INCREASED ANALYTICAL RESPONSIBILITY
ASSISTANT BUYER (1)						15%	5%	15%		10%	20%	15%						20%		NEW POSITION TO ASSIST BUYERS AND MONITOR CONTRACTUAL SERVICES
SUPERVISING CLERK (1)																			100% – STAFF SUPERVISION, TRAINING REVIEW	NO CHANGE
BID CLERK (4)				40%				40%			20%									INCREASED RESPONSIBILITY TO MONITOR PRICE ESCALATION
PURCHASE ORDER CLERK (3)																		100%		REDUCED ONE POSITION THROUGH SIMPLIFIED ORDER REVIEW
EXPEDITOR (1)														80%	20%					NO CHANGE
QUOTE CLERK (1)								100%												NO CHANGE
OTHER (4)																			SECRETARIAL AND TYPING SUPPORT	NO CHANGE

c. Overall guidance and direction;

d. Policy analysis;

e. Interface with user organizations on procurement questions; and

f. Spokesperson for the Division on policy and practice questions.

We believe that implementing this recommendation would enhance the effectiveness of overall MCPS procurement management and planning.

2. Increase Procurement Division Buyer's formal involvement in analyzing procurement practices.

We recommend that each buyer independently pursue one major project aimed at avoiding expenditures or otherwise reducing unit costs. The role of the Procurement Division Director would include:

a. Assisting each buyer identify specific project areas.

b. Establishing goals (e.g., cost savings and completion dates).

c. Providing ongoing direction.

d. Reporting progress to upper management.

Initial study activities could include:

a. Consolidating the purchase, lease and maintenance of copier equipment.

b. Identifying items purchased individually that should be included in the supply warehouse.

c. Analyzing individual purchases (e.g., school supplies) that can be consolidated into one major purchase.

Implementing this recommendation will allow MCPS to better utilize Buyer's analytical skills and provide short term operating improvements.

3. Revise the distribution of Procurement Division staff.

Implementing our previous recommendations involving simplification of the purchase order review (e.g., reduced mathematical extention and total calculations and review of orders submitted by the Supply and Property Mangement Division); and reduced processing requirments on purchase orders totalling less than fifty dollars, will permit the Procurement Division to eliminate one Purchase Order Clerk position. However, the cyclical nature of purchase order volume may require increased overtime or temporary personnel support during peak periods.

We recommend MCPS replace this position by creating a new position of Assistant Buyer. Responsibilities would include:

a. Performing the contractual control activities described in Section IV (Procurement of Contractual services) recommendations;

b. Acting as the Contracting Agent (i.e., review and approve Purchase Orders) on purchases of $100 or less; and

c. Assist Buyers as available.

4. Review the grade level for Purchase Order Clerk.

As previously mentioned, the turnover rate for Purchase Order Clerks appears to be unusually high. To resolve this question, we recommend MCPS review the tasks performed by these staff in comparison to similar activities in other MCPS groups to determine if a higher rating may be appropriate.

VII. FINANCIAL MANAGEMENT

The purpose of this section is to present our findings and recommendations related to the financial management aspects of the procurement function. This includes the use of financial analysis (e.g., cash management and inventory cost analysis) in buying decisions as well as the use of financial controls throughout the procurement process.

A detailed discussion of our findings related to financial management is provided below.

We have developed four overall conclusions from these findings:

1. Some procurement financial management functions are unstructured. These include the Procurement Division's analytical role on price fluctuations and cash management.

2. The Procurement Division is not adequately staffed to fully perform financial management functions.

3. Controls on Purchase Order approval limits are not effective.

4. Controls on variations between amounts paid to vendors and Purchase Order totals are adequate.

Recommendations are provided at the end of this section.

A. FINDINGS

1. The Procurement Division does not have adequate resources to monitor and analyze price fluctuations.

Most Procurement Division bid awards contain a price escalation clause. Typically bid prices are firm for 90 days. After that time, vendors may apply for price increases.

In evaluating requests for price increases, Buyers must rely largely on professional judgment in accepting increases.1/ The Procurement Division does not maintain formal analytical tools such as price records or sets of standard market indexes as guides.

However, we doubt if this is a problem. Typical price increases appear to be minimal and the Procurement Division does reopen items to compeditive bid if necessary.

We do not believe, at least in the near term, the Procurement Division should further structure this function. Specifically, increased procurement forecasting activities outlined in our previous recommendations should increase the number of fixed price contracts.

2. The Procurement Division has no specified role in cash management analysis. Some factors are considered (e.g., credit terms) while others (e.g., time value of money) are not.

Cash management analysis can addressed several financial considerations:

a. Inventory carrying cost;

b. Quantity discounts;

c. Credit terms; and

d. Time value of money.

The role of the Procurement Division varies for each.

1/ The fuel oil agreement is a noteable exception. Starting in fiscal year 1983, fuel oil price adjustment are determined by a clearly defined market index. However, in previous years vendor requests for price increases were evaluated largely on the basis of experience. Typically requests for increases were accepted.

Inventory carrying cost is not fully considered by the Procurement Division or user organizations operating warehouse systems (see finding number one, Section III).

Quantity discounts are typically not considered. In the past, there was little opportunity to purchase items in large enough quantity to warrant a meaningful price reduction. However, initiation of the Food Services Division warehouse may increase the potential savings available through quantity discounts.

Credit terms (e.g., 2% discount if payment is processed within 30 days of invoice receipt) is an integral part of bid evaluation.

Time value of money analysis does not appear to be used. Particularly for large purchases (e.g., trucks, busses, etc.), any opportunity to delay the point of purchase can generate dollar savings in the form of interest revenue. Montgomery County can earn interest on the purchase amount rather than committing funds to a non-productive asset.

For example, this type of analysis is not used to support decisions to "top off" school fuel oil tanks each spring. During interviews, supporting rationale for this decision included:

a. "Normal practice in industry";

b. "It prevents condensation"; and

c. "We have money in the budget."

In fiscal year 1982, we estimate the decision to "top off" resulted in expenditures of approximately $704,000. This may have been a clear choice during periods of rapidly rising oil prices. During periods of stable prices, it represents a significant revenue loss. Assuming stable prices, a delay of six months in fuel oil purchase would provide MCPS an additional $54,000 in interest payments (based on 15.5% prime rate).

3. <u>The Procurement Division does not have adequate staff resources, in terms of overall staff size and technical skills, to perform various types of financial analysis related to procurement decisions</u>.

As we have previously discussed, Procurement Division activities currently focus on administering procurement functions. The experience and skills of

Procurement Division staff appear to reflect this focus. Accordingly, the Procurement Division is not staffed to fully perform the type of financial analysis we describe above.

4. Dollar purchase approval limits are defined but not consistently followed. Large expenditures occur independent of required authorization.

The Manual for Procurement of Equipment Supplies and Contractual Services defines clear purchase approval limits. Specifically:

a. The Procurement Division Director and Buyers have responsibility and authority for placing purchase orders;

b. Any contractual document (other than purchase orders) which totals between $501 and $4,999 requires the signature of the superintendent; and

c. Contracts of $5,000 or above require formal bids submitted to the Director of Procurement and approved by the Board of Education.

Our findings in Sections III and IV indicate these guidelines are largely followed more closely for the procurement of supplies and equipment than for contractual services. Specifically in Section IV, we provided examples where MCPS did not have a valid contract or Board of Education Resolution.

5. Some variations occur between amounts paid to vendors and Purchase Order totals. There appears to be adequate controls on the payment of such variations.

We reviewed MCPS processing practice for invoices that do not equal an approved Purchase Order total. Our initial approach was to randomly select 30 transactions and review any variation that occurred. Of the thirty transactions, 14 did not agree with the original purchase order. Of these:

a. Six were insignificant (less than $2.50);

b. Two were small (greater than $2.50 but less than $10.00);

c. Four involved various increases authorized by a Procurement Division Buyer;

d. One involved an incorrect Purchase Order that was corrected by Accounting Division staff; and

e. One involved a discount offered by the vendor but not noted on the original Purchase Order.

We analyzed several of these variations further to verify the increase was correct. In each instance, the increase was justifiable.

Other less structured reviews produced similar results. These reviews resulted from variations discovered while completing other analyses.

However, price changes, although correct, were not consistently documented. Approval practice varies. In some cases, a Purchase Order Change Form was used. In others, a Buyer's signature would provide authorization. There was not a clear audit trail.

B. RECOMMENDATIONS

We believe many of our recommendations relating to procurement forecasting and process controls also apply to our findings relating to financial management. However, we have three additional recommendations relative to our financial management findings.

1. Increase Procurement Division cash management analysis for major purchases.

   As previously mentioned, the Procurement Division has no specified cash management role. We determined there is a significant "time value of money" potential in delaying major purchases. To address this finding we recommend the Procurement Division, on a selected basis, challenge large expenditures to determine if they can be delayed. We recommend Procurement Division staff emphasize that, "having funds in the current budget" is not sufficient rationale to purchase goods or services in the current fiscal year.

2. Clarify and simplify the purchase approval limits.

   As previously mentioned, purchase approval limits are clearly established but not consistently followed. In addition, we also noted (Section V, Finding 2) that the same approval process is used for large and small orders. To address these problems, we recommend MCPS simplify and streamline purchase order processing by adopting a policy requiring two authorizing signatures on each purchase order:

   a. Procurement Division Contracting Agent. This signature assures that the Procurement Division maintains final authority to commit funds on behalf of MCPS (see Recommendation #4, Section III).

   b. User organization management. Authorization authority would vary by management level.

   Exhibit VII-1 lists the approval limits we recommend.

   The intent of this recommendation is to simplify processing requirements and increase individual management discretion on small purchase orders while focusing management review on larger purchase orders.

EXHIBIT VII-1

RECOMMENDED PURCHASE ORDER APPROVAL LIMITS

PROCUREMENT DIVISION

Purchase Order Value	Contracting Agent
$ 0 - 100	Assistant Buyer[1]
$ 101 - 5,000	Buyer
$5,001 - 25,000	Director[2]
Above $25,000	Director with Board of Education approval[3]

USER ORGANIZATION

Purchase Order Value	Level of Management
$ 0 - 250	Division Director or School Principal
$ 251 - 2,500	Secondary Account Manager
$2,501 - 10,000	Primary Account Manager
Above $10,000	Superintendent or designate

1/ New position - see recommendation #3, Section VI.

2/ Assumes Procurement Division Director reduces formal Buyer responsibilities - see recommendation #1, Section VI.

3/ Assumes increase in Board of Education review limit from $5,000 to $25,000 - see recommendation #3.

3. Revise the role of the MCPS Board of Education in approving transactions above $5,000

As previously mentioned, large expenditures can occur independent of required authorization. To address this problem we developed the previous recommendation to simplify and streamline purchase order authorization. As part of this recommendation, we suggest MCPS raise the contract (i.e., purchase order) level requiring Board of Education approval from $5,000 to $25,000. We believe this revision would:

a. Expedite the processing of smaller contracts (i.e., those between $5,000 and $25,000) by eliminating the need to present each to the Board of Education. In many instances, this would reduce processing time by two to four weeks.

b. Allow the Board of Education to focus on major procurement decisions (i.e., those involving contract amounts above $25,000).

To facilitate Board of Education review of ongoing procurement activity, we recommend the Procurement Division Director periodically submit a report to the Board of Education on all contractual agreements above $5,000.

4. Revise the MCPS Policy on Approving Price Increases

As previously mentioned, price authorization supporting payment above the purchase order amount appears is inconsistent. To address this problem, we recommend MCPS Division of Accounting implement a policy whereby:

a. Unless there is a trend evident, process increases up to $25 without Procurement Division review; and

b. On increases above $25, a Procurement Division Buyer would authorize approval via a consistent mechanism such as the existing "Purchase Order Change Notice."

VIII. MANAGEMENT CONTROL

The purpose of this section is to present our findings and recommendations related to management control of the procurement function.

Management control functions differ from the operating level functions discussed in previous sections. Management control provides longer term direction involving policy development, goal setting and management reporting.

Typically, management control involves three steps:

1. Establish standards of performance;

2. Measure operating performance to these standards; and

3. Take necessary corrective action.

A detailed discussion of our findings related to management control is provided below.

We have drawn two overall conclusions from these findings:

1. MCPS procurement practices have evolved with minimal upper management direction; and

2. MCPS management has not developed an effective procurement management control process that incorporates near-term goals, performance indicators, and management reporting.

Recommendations are provided at the end of this section.

A. FINDINGS

1. Overall management control of the procurement process has been ineffective. There are numerous instances of actual practices that differ with stated Board of Education policy.

A major objective of any management control effort is to assure that ongoing operations reflect managerial priorities and goals. Management policy statements are one mechanism that can be used to support this objective. Management has many means of documenting and communicating these statements. They include operating manuals, process descriptions and periodic policy memorandum.

MCPS procurement policy is primarily reflected in the Manual for Procurement of Supplies and Equipment, and Contractual Services. However, this mechanism has been ineffective for the purpose of management control. Our previous findings identified several instances where actual practice differed from policy. Further, during out interviews, it was evident that management at many levels of MCPS knew that some current procurement practices vary with policy.

2. Management above the Procurement Division level appears to have provided limited policy implementation direction relative to MCPS procurement functions. This has contributed to continued resistance to more centralized procurement control.

There are several indicators that management above the Procurement Division level tend to provide operating control rather than management control. These include:

a. There are no formal goals or objectives established.

b. Process guidelines are lacking.

c. Procurement issues or problems are typically addressed on an individual basis rather than in the context of the overall procurement mission.

d. Management appears aware that there are instances where practice varies with policy.

However, up to the point of this operations review, top management has not had a clear understanding of current procurement practices or how they should be modified to become more effective. Therefore, they have had a limited opportunity to provide policy implementation direction.

3. There is no form of periodic management reporting or measurement of procurement performance. The Director of Procurement and management above the Procurement Division level cannot monitor or analyze overall procurement performance or effectiveness.

A major element of management control is periodic, summary level operating performance reporting. During interviews, some managers above the Procurement Division indicated they did not receive reports of this type. Specifically, management receives no reports relating to the Procurement Division outside of those available through the Accounting Division.

There is no structured process to report:

a. Progress via established performance indicators.

b. Fluctuations in ongoing workload volume (e.g., purchase orders processed, bids processed, etc.).

B. RECOMMENDATIONS

We believe there is a need for increased management control of the MCPS procurement process in order to develop an effective process with consistent policies and practices. To meet this objective, we recommend that management above the Procurement Division take a lead role in restructuring the procurement process as described in previous recommendations. Specifically, we believe management should support and monitor activities described in Section IX (Implementation Plan).

In addition, we recommend that the Director of Procurement prepare a monthly management report summarizing procurement performance. The report should include:

1. Performance indicators (planned versus actual).

2. Status of major projects.

3. Discussion of major problems or accomplishments.

We recommend this report be structured as a management letter to the Director, Department of School Services. Exhibit VIII-1 provides a sample format.

EXHIBIT VIII-1

SAMPLE FORMAT - MONTHLY MANAGEMENT LETTER

TO: Director, Department of School Services

FROM: Director, MCPS Division of Procurement

DATE:

SUBJECT: Management Letter for _____ 19___

STATUS OF MAJOR PROJECTS

1) Develop forecasting system
   - Completed conceptual design
2) Consolidate copier requirements
   - Mr/Ms "BUYER" completed inventory

PLANNED ACTIVITIES

EXHIBIT VIII-1
(continued)

PERFORMANCE INDICATORS

	This Month			Comment	Planned Next Month
	Planned	Actual	Variance		
PURCHASE ORDERS PROCESSED					
BIDS COMPLETED					
WRITTEN QUOTATIONS COMPLETED					
VERBAL QUOTATIONS COMPLETED					

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IX. IMPLEMENTATION PLAN

The purpose of this section is to present the set of activities we believe are necessary to implement our recommendations.

We believe MCPS should begin implementing many of these recommendations as soon as possible. Most implementation activities involve relatively straightforward changes to MCPS procurement policies and practices, and should provide near-term benefits.

Other recommendations will require a more involved, longer term approach. Activities will include developing an MCPS procurement process description aimed at clarifying roles and responsibilities, and enhancing process controls. In Section III (Procurement of Supplies and Equipment), we present a model to support this recommendation. Implementation activities for the long-term recommendations will be more complex than with short-term recommendations. Ongoing management support and direction will be essential. However, implementation should provide more consistent and cost effective procurement practices.

Our recommended implementation plan has three phases:

Phase 1. Near-term implementation activities;

Phase 2. Related studies; and

Phase 3. Long-term implementation activities.

The three phases all result in significant changes and improvements to MCPS procurement policy and practice. To facilitate consistent implementation results, we recommend:

1. The Director of the Procurement Division have lead responsibility for developing policy and practice statements; and directing implementation activities; and

2. The Board of Education appoint a Task Force to support the Director of Procurement Division and review items (e.g., draft policy statements, progress reports) before submission to the Board for approval. To be effective, we recommend Task Force size be limited to four or five members. We recommend it consist of a management representative from the Procurement Division, the Department of Educational

Accountability, and representatives from two or three user organizations with large total dollar volume of purchases. These could include:

- Division of Construction and Capital Projects;
- School Principals;
- Division of Supply and Property Management;
- Division of Maintenance; and
- Department of Management Information and Computer Services.

During all phases of implementation activities, we recommend that the Director of the Procurement Division prepare and submit monthly management letters (see recommendations, Section VIII) outlining implementation plans and progress.

A. NEAR TERM IMPLEMENTATION ACTIVITIES (Phase I)

We believe a structured, phased approach is necessary to effectively complete near-term implementation activities. The three steps we recommend are:

Step 1. Reduce administrative activities;

Step 2. Increase analytical activities; and

Step 3. Revise procurement policy and practice for contractual services.

Exhibit IX-1 lists the recommendations associated with these three steps.

To implement Step 1 (Reduce Administrative Activities), we recommend the following sequence of activities:

1. Procurement Director
   - Prepare draft policy statements to reflect simplified approval limits, reduced processing.
   - Finalize draft policy statements through reviews with impact on MCPS management.
   - Submit policy statements to Board of Education for approval.

EXHIBIT IX-1

IMPLEMENTATION PLAN

PHASE I: NEAR-TERM RECOMMENDATIONS

STEPS	RECOMMENDATION	
	DESCRIPTION	SECTION & NUMBER
Step 1: REDUCE ADMINISTRATIVE ACTIVITIES	• Clarify and simplify purchase approval limits	VII-2
	• Reduce the degree of Purchase Order review in the Procurement Division	V-1
	• Simplify and reduce processing activities on purchase orders for minor purchases (e.g., less than fifty dollars)	V-2
	• Revise the MCPS policy on approving price increases	VII-3
	• Revise the distribution of staff and create a new Assistant Buyer position	VI-3
Step 2: INCREASE ANALYTICAL ACTIVITIES	• Reduce the Buyer activities of the Procurement Division Director	VI-1
	• Increase Procurement Division Buyers formal involvement in analyzing procurement practices	VI-2
	• Increase Procurement Division cash management analysis for major purchases	VII-1
Step 3. REVISE POLICY AND PRACTICE ON CONTRACTUAL SERVICES	• Establish clear levels of Contracting Agents	IV-3
	• Clarify MCPS policy on Sole Source contracts	IV-5
	• Establish a policy that the Procurement Division must review and approve payments for contractual services	IV-2
	• Centralize control of all contracts for contractual services in the Procurement Division	IV-1

2. Board of Education

   - Appoint a Task Force to review draft policy statements.

3. Task Force

   - Review draft statements and report to Board of Education.

4. Board of Education

   - Approve policy revisions.

5. Procurement Director

   - Distribute internal MCPS memorandum clarifying policy changes and implementation schedule, such as for reduced approval requirements on small Purchase Orders.

6. Procurement Director

   - Prepare Purchase Order processing guidelines and instruct staff.

   - Implement reduced processing activities.

   - Eliminate one Purchase Order Clerk position.

   - Develop an Assistant Buyer position.

7. Director, Department of School Services

   - Review and approve results before authorizing next phase activities.

To implement Step 2 (Increase Analytical Activities), we recommend the following sequence of activities:

1. Procurement Division Director

   - Distribute existing item responsibilities among the three Procurement Division Buyers.

2. Procurement Division Director

   - Revise Procurement Division operating practices to transfer selected responsibilities from Buyers to the new Assistant Buyer position (e.g., reviewing Purchase Orders for less than $50).

3. Procurement Division Director and Buyers

   - Each identify and pursue one specific cost reduction project.

4. Procurement Director

   - Prepare summary report for Director, Department of School Services.

5. Director, Department of School Services

   - Review and approve results before authorizing next phase activities.

To implement Step 3 (Revise Policy and Practice on Contractual Services), we recommend the following sequence of activities:

1. Director, Procurement Division

   - Prepare draft policy statements for contractual services and distribute to management for review and comment. Policy statements should particularly define Contracting Agent and role of Procurement Division in reviewing and approving invoices.

2. Director, Procurement Division

   - Follow-up with impacted management, revise as necessary and submit to Task Force.

3. Task Force

   - Review draft policy statement, prepare impact statement and submit to Board.

4. Board of Education

   - Review and, if appropriate, authorize policy revisions.

5. Director, Procurement Division

   - Prepare operating practice guidelines detailing:

     - Documentation requirements for contractual service contract approval

     - Process flow and approval requirements of payments for contractual services

6. Task Force

   - Review operating practice guidelines, prepare impact statement and submit to Board of Education.

7. Board of Education

   - Review and, if appropriate, authorize implementation.

B. RELATED STUDIES (Phase II)

Concurrent with the near-term implementation activities, we recommend MCPS complete two related studies.

The first study involves reviewing the grade level for Purchase Order Clerks in the Procurement Division. We believe this review should consider similar activities performed in MCPS outside the Procurement Division.

The second study involves completing a planning analysis of data processing applications. This study should address:

1. The need and conceptual design of applications to enhance existing activities, such as forecasting and consolidating user requriements (see Recommendation number three, Section V); and

2. The potential role and benefit of data processing applications that can support revised procurement practices (e.g., centralized control of documentation authorizing payment for contractual services.

We recommend that this planning analysis be completed on a project basis, independent of the Procurement Division. We believe an independent approach is necessary to assure Procurement Division resources are not diverted from the near-term implementation activities and to assure sufficient technical expertise in applied to the project. However, it is essential that the project leader work closely with the Director of the Procurement Division to assure system planning efforts are consistent with policy planning efforts.

C. LONG-TERM IMPLEMENTATION ACTIVITIES (Phase III)

Longer term implementation activities must address overall procurement policy and practice. It must consider the relative procurement roles and responsibilities of the Procurement Divison and user organizations. In Section III, we recommend MCPS develop a procurement process description that would provide operating practice guidelines and describe process controls (e.g., documentation requirements, approval authorities). We presented a model to support development of this description.

We believe that the use of this model should be central in long term implementation efforts. To be consistent, procurement policy should be founded on an overall framework or concept (i.e., a model). However, the model we have proposed includes several significant deviations from existing policy and practice (see Organizational Impact column of Exhibits III-8 through III-11). In some cases, the model indicates procurement activities and/or control transfers from the Procurement Division to a user organization or visa-versa. Our experience in MCPS and similar organizations indicates management personnel in the impacted organization may resist some of these revisions.

Therefore, we recommend that the MCPS Board of Education use the Task Force appointed during the first phase to help resolve these questions. The objective of the Task Force would be to facilitate agreement on a consistent policy statement and develop a procurement process description. Activities would include:

1. Develop an organizational impact statement for each of the functional or control revisions in the model. Each impact statement should address:

   - Operational benefit;
   - Personnel requirements; and
   - Implementation considerations (e.g., training).

2. Meet with management in appropriate organizations to review impact statements. Revise as appropriate.

3. Prepare a draft policy report providing:

   - Recommended policy statements;
   - Organizational impact statements; and
   - Process flow.

4. Review report with management in impacted organizations. Revise as appropriate.

5. Submit for Board of Education review.

Before proceeding, MCPS management and/or the Board of Education must resolve any organizational questions or conflicts associated with the policy report described above. We believe it is essential that these "hard decisions" be completed and supported before proceeding.

Subsequent activities will vary with the type of policy and practice revisions identified. However, we believe that the Board of Education should maintain a Task Force to monitor and report on the effectiveness of implementation.

X APPENDIX

A. INTERVIEW GUIDE

USER INTERVIEW GUIDE

I. Administrative

MCPS Organization _____

Interviewee _____

Title _____

Interview Conducted By _____

Date _____

II. Statistical Data

1) Complete the attached Matrix of Purchase Order quantity and dollar value for your organization.

ORGANIZATION OR DIVISION _____

	PURCHASE ORDER VOLUME			
	Estimated FY 1982		Estimated FY 1983	
	Quantity	Approx. Value $	Quantity	Approx. Value $
Purchase Orders - Bid Items				
Purchase Orders - Quote (written & verbal)				
Confirming Purchase Orders				
Blanket Purchase Orders				
MCPS Supply Catalog				
Other (specify) _____				
TOTAL				

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A-2

III. Warehousing

Do you maintain your own inventory (e.g., warehouse or stock room)?

Yes _____

No _____

If yes: 1 - Type of Inventory Items _____

2 - No. of Locations _____

3 - Approx. items & Sq.Ft. per location _____

_____

4 - Brief discussion of why you believe a separate inventory is necessary.

_____

_____

_____

_____

_____

_____

5 - Who are your major users? _____

_____

_____

_____

_____

6 - Do you maintain a parts catalog or inventory listing? If yes, describe. _____

_____

_____

_____

_____

_____

7 - Briefly describe how your warehousing/ distribution system operates. _____

_____

_____

_____

_____

8 - Do you calculate inventory carrying costs? If yes, how are they calculated? _____

_____

_____

_____

9 - How do you control your warehouse inventory? What support tools do you use? _____

_____

_____

_____

_____

IV. Market Analysis

1. Do you perform any type of market analysis. If yes, describe briefly.

2. How do you compare vendor price, quality and/or delivery history?

3. How do you evaluate equipment substitutes?

V. Financial Management

1. Do you maintain a petty cash account for small purchases? If yes, how is it managed? _____

2. How do you monitor and/or control price fluctuations? Do you have formal price records? _____

3. Who approves purchases? Does approval authority vary by limit? _____

4. How do you track or monitor non-price costs (discounts/transportation, etc.)? _____

5. How is the bid period determined (e.g., once per year? twice per year)? _____

6. Do you participate in purchasing analysis that considers? If yes, describe briefly.

Bid Price	_____	_____
		_____
Inventory Carrying Cost	_____	_____
		_____
Transportation Cost	_____	_____
		_____
Escalation Terms	_____	_____
		_____
Other	_____	_____
		_____

VI. Process Control

Review appropriate (user oriented) portions of process flow charts

1. What types of records do you keep of purchasing or transaction records (e.g., volume or $ value, vendor records, P.O. #'s, etc.)? If available obtain copies.

2. What types of summary reports do you maintain of operational performance (e.g., product performance)?

3. What types of automation support do you have (e.g., data processing support for inventory control, order tracking vendor records)?

4. How do you account for disposed items?

5. How frequently do you receive split shipments? What is the impact on your operations?

6. How do you process overshipments and rejected goods? How do you record? _____

_____

_____

_____

7. Who do you primarily deal with in the Division of Procurement? In what capacity? _____

_____

_____

_____

8. What documentation do you use as a guide in ordering supplies and equipment (e.g., policy or procedure manuals)? _____

_____

_____

_____

9. How do vendors communicate their promised delivery dates to you? How do you track them? _____

_____

_____

_____

10. Do you have any other problems or concerns related to the procurement process? _____

_____

_____

_____

PROCUREMENT FUNCTIONAL ANALYSIS

The attached exhibits list major "procurement" functions. Review these functions for items that are the responsibility of your organization (e.g., exclude items that are obtained through another source such as a supply warehouse). Consider your involvement for:

1) Bid items
2) Quote (both written and oral) items
3) Items covered by Blanket or Confirming Purchase Orders.

For each function indicate:

1. Performed/not-performed
2. Briefly describe responsibility-indicate why this may be unique to your organization.
3. Indicate below the staff in your organization responsible for these functions.

Staff

Name _____

Grade & Title _____

% Involvement _____

Overall responsiiblity _____

Name _____

Grade & Title _____

% Involvement _____

Overall responsibility _____

Name _____

Grade & Title _____

% Involvement _____

Overall responsibility _____

PROCUREMENT FUNCTIONAL ANALYSIS

Function	Involvement No	Involvement Yes	Description
1. Needs Identification			
Inventory Management	___	___	_____
Determine Reorder Pt and quantity	___	___	_____
Other _____	___	___	_____
2. Planning			
Forecasting	___	___	_____
Develop Bid Specifications	___	___	_____
Market Research[1/]	___	___	_____
Analyse Lease vs. Buy or New vs. Used	___	___	_____
Develop Alternate Materials and Sources	___	___	_____
Other _____	___	___	_____
3. Solicitation			
Obtain Quotations or Bids	___	___	_____
Negotiate Contracts	___	___	_____
Other _____	___	___	_____

1/ Formally compare vendor/product market performance

Touche Ross & Co.

PROCUREMENT FUNCTIONAL ANALYSIS
(continued)

Function	Involvement No	Yes	Description
4. Selection & Award			
Review Bids/Quotes	—	—	
Final Vendor Selection	—	—	
5. Contract Administration			
Place order with vendor	—	—	
Schedule or monitor delivery schedules	—	—	
Monitor delivery quality	—	—	
Receive and inspect material	—	—	
Control order records (e.g., P.O.#s)	—	—	
Monitor price escalation	—	—	
Verify/approve invoice	—	—	
Expedite shipment	—	—	
Management reporting	—	—	
Other _____	—	—	

B. VENDOR SURVEY

Touche Ross & Co.

Dear Vendor:

Your firm has been selected at random along with 120 other vendors to participate in a management review of the Montgomery County Public Schools procurement practices.

The Montgomery County Public Schools (MCPS) is conducting a series of management reviews of its various operating divisions. These reviews are known as Management Operations Review and Evaluation (MORE) studies. MCPS has engaged Touche Ross & Co. to participate in a MORE study of the Division of Procurement.

Please complete the attached questionnarie so that we can learn more about vendor perceptions of MCPS procurement practices.

The first two sections of the questionnaire are very brief. The others are more involved. If you are unable to complete the entire survey, we would appreciate it if you would complete and return the first two sections.

Please forward your responses to:

Mr. Doug Rolston
Touche Ross & Co.
1900 M Street, N.W.
Washington, D.C. 20036

Your response will be completely confidential. We will not release or discuss individual responses and will only provide MCPS aggregate summaries of the total response.

If you have any questions or comments relative to our study please call Doug Rolston at (202) 452-1200.

Very truly yours,

Touche Ross & Co.

Attachment

1900 M STREET N.W. - WASHINGTON, D.C. 20036 - (202) 452-1200

I. VENDOR PROFILE

1. Name _____

   Title _____

   Firm _____

   _____

   _____

   _____

   Date _____

NOTE

RESPONSES ARE CONFIDENTIAL

If you prefer - do not complete Question 1

2. Dollar Transaction Volume Per Year (Goods & Services) with MCPS

   ☐ Greater than $100,000

   ☐ $25,000 to $100,000

   ☐ Less than $25,000

3. Orders (e.g., separate Purchase Orders) Received Per Year From MCPS (Both Written and Verbal)

   ☐ Greater than 25

   ☐ 25 or Less

II. OVERALL PERCEPTION

1. Overall

What is your overall perception of the procurement process in the Montgomery County Public School System?

- ☐ Excellent (Very Effective)
- ☐ Good
- ☐ Fair
- ☐ Poor
- ☐ Very Poor (Very Ineffective)

Please comment on your rating. What factors or events influenced your decision?

_____

_____

_____

_____

2. Comparison to Other School Districts

Have you been involved in the procurement process in other school districts (e.g., Fairfax County, Prince Georges County or Others)? Yes ☐ No ☐

If yes, how would you compare the effectiveness of the procurement process in MCPS relative to these other school districts?

- ☐ Much Above Average
- ☐ Somewhat Above Average
- ☐ Average
- ☐ Somewhat Below Average
- ☐ Much Below Average

Please comment on your ranking, what factors or events influenced your decision?

_____

_____

_____

_____

III. PROCUREMENT BID/QUOTE PROCESS

1. How would you rate the existing MCPS practice of obtaining and evaluating formal written bids, written quotations and verbal quotations?

	Written Bids	Written Quotations	Verbal Quotations
Excellent (Very Effective)	☐	☐	☐
Good	☐	☐	☐
Fair	☐	☐	☐
Poor	☐	☐	☐
Very Poor (Very Uneffective)	☐	☐	☐

2. Please comment on your rating. What factors or events influenced your decision? _____

3. Do you typically have sufficient time to respond to a formal Invitation for Bid?

☐ Yes

☐ No

If no, please comment on how this impacts your bid. _____

4. Do you find any bid/contract terms and conditions that are not in conformity with your normal practice (e.g., with other school districts)? If yes, please comment. _____

5. Are bid specifications adequate? ☐ Yes ☐ No

If no, please comment on how this impacts your bid. _____

III. PROCUREMENT BID/QUOTE PROCESS (continued)

6. Do you have any comments or recommendations relative to bid specifications? _____

7. If MCPS included a firm minimum bid quantity in bid specifications, do you believe you could offer a more favorable bid? If yes, what would the approximate price impact be (percent reduction)? _____

8. Do you find MCPS practices and bid terms and conditions associated with price escalation adequate? Do you have any comments or recommendations? _____

IV. PROCUREMENT ORDERING PROCESS

1. Does MCPS communicate its requirements to you:

		Written		Other
	Verbally	General Purchase Order Form (235-1)	Your Vendor Order Form	
Yes	☐	☐	☐	☐
No	☐	☐	☐	☐

2. How would you rate this practice:

Excellent (Very Effective)	☐	☐	☐	☐
Good	☐	☐	☐	☐
Fair	☐	☐	☐	☐
Poor	☐	☐	☐	☐
Very Poor (Very Ineffective)	☐	☐	☐	☐

3. Do you have any comments or recommendations relative to MCPS purchase order documentation? _____

_____

_____

_____

4. Do you have any comments or recommendations relative to the overall ordering process? _____

_____

_____

_____

V. GENERAL

1. If MCPS adopted a policy of increased centralized delivery points, would this benefit your operations and your quote or bid price to MCPS? If so, how and to what extent?

2. MCPS has a practice of not processing partial payment for partial shipments. Has this impacted your relationship with MCPS?

☐ Yes ☐ No

If yes, please describe briefly.

3. Have you ever filed a formal protest against MCPS procurement practices?

☐ Yes ☐ No

If yes, please describe briefly and indicate if you found the results satisfactory.

4. Do you have any other comments or recommendations?

C. PRINCIPAL/DIRECTOR SURVEY

Department of Educational Accountibility MONTGOMERY COUNTY PUBLIC SCHOOLS Rockville, Maryland	MORE Procurement Study PRINCIPAL/DIRECTOR SURVEY

Dear Principal/Director:

Touche Ross & Co., under contract to the Department of Educational Accountability, is conducting a Management Operations Review and Evaluation (MORE) study of the procurement process. The opinions of principals/directors and the documentation of procurement practices are important aspects of the study. The results of the study will be available from the Department of Educational Accountability in December 1982.

Please take a few minutes to respond to the following questions. Your response will be completely confidential. Touche Ross & Co. will not release or discuss individual responses and will only provide MCPS aggregate summaries of the total response. Please send the completed questionnaire via the internal MCPS mail system (pony) to:

Attention of: Mr. Doug Rolston
Touche Ross & Company
Department of Educational Accountability
Room 10 ESC

If you have any questions or comments relative to the study please call Doug Rolston at (202) 452-1200. Thank you in advance for your assistance with this study.

Approved: _____
Dr. Harry Pitt, Deputy Superintendent of Schools

WMR:jal

1. Position

What is your current position?

____ Elementary School Principal
____ Middle School Principal
____ Junior High School Principal
____ High School Principal
____ Department Director
____ Division Director
____ Other (Specify)

2. Processing Purchase Orders.

How would you rate the Division of Procurement in processing requisitions/purchase orders (i.e., MCPS Form 235-1) for bid items[1], vendor catalog items and other items? Do not consider items you order directly from the Division of Supply and Property Management.

	Bid Items	Vendor Catalog Items	Other Items
Excellent	____	____	____
Good	____	____	____
Poor	____	____	____
Very Poor	____	____	____

Please comment on your ratings. What factors or events influenced your decision?_____

_____

_____

_____

[1] Bid Items include goods for which there is a formal bid list.

3.a. Resolving Vendor Problems

How would you rate the MCPS Division of Procurement in resolving problems you may have had with outside vendors (e.g., delivery delays, partial shipments, inferior quality, etc.)?

Excellent (Very effective) ____

Good ____

Poor ____

Very Poor (Very Ineffective) ____

Please comment on your rating. What experiences or events influenced your decision? _____

_____

_____

3.b. Other Comments or Recommendations

Do you have any other comments or recommendations relative to the MCPS Division of Procurement? _____

_____

_____

_____

_____

4. Responsibility

Are you responsible for administering the purchase or goods and services in your school/organization?

Yes ____

No ____

If no, briefly describe how this responsibility is distributed among your staff. _____

_____

_____

5. Guides or Documentation

Do you or your staff use The Manual for Procurement of Equipment, Supplies, and Contractual Services as a guide in purchasing goods and services?

Yes ____

No ____

Please comment on the usefulness of this document.

_____

_____

_____

_____

6. Solicitating Vendors

Do you or your staff directly obtain bids or quotations from vendors? Exclude minor purchases (i.e., less than fifty dollars).

Yes ____

No ____

If yes, describe briefly. Include vendor, type of goods or service (e.g., maintenance) and vendor soliciting activity.

_____

_____

_____

_____

7. Selecting Vendors

Do you or your staff directly negotiate with vendors for goods or services.

Yes ____

No ____

If yes, describe briefly. Include vendor, type of goods or service and estimated annual expenditure.

_____

_____

_____

_____

8. Administering the Contract

Review each of the following general areas and indicate those in which you have direct involvement. Where applicable, briefly describe your involvement and give some examples.

	No	Yes	Description
Place order directly with vendor	___	___	_____
			_____
			_____
Schedule or monitor vendor delivery schedules	___	___	_____
			_____
			_____
Monitor quality of goods received	___	___	_____
			_____
			_____
Receive and inspect goods	___	___	_____
			_____
			_____
Check that prices charged agree with the contract	___	___	_____
			_____
			_____
Verify/approve invoices	___	___	_____
			_____
			_____

8. Continued

	No	Yes	Description
Call vendors to get goods faster	___	___	_____
			_____
			_____
Other	___	___	_____
			_____
			_____

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